IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

FIRST APPELLATE DISTRICT

DIVISION FOUR

CHURCH OF SCIENTOLOGY, INTERNATIONAL,
Plaintiff/Respondent,

vs.

GERALD ARMSTRONG,
Defendant/Appellant.

NO. A075027

CLERK'S TRANSCRIPT ON APPEAL

FROM A JUDGMENT MADE AND ENTERED

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

MARIN COUNTY COURTS

VOLUME 12

For the Plaintiff/Respondent:

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For the Defendant/Appellant (In Pro Per):

Gerald Armstrong
715 Sir Francis Drake Blvd.
San Anselmo, CA 94960

IN THE SUPERIOR COURT OF THE STATE OF CALIFORNIA

MARIN COUNTY COURTS

DEPARTMENT 1

CHURCH OF SCIENTOLOGY, INTERNATIONAL,)
Plaintiff,)
)
vs.)
)
GERALD ARMSTRONG,) No. 157680
Defendant.)
)

GARY W. THOMAS	JUDGE
JOHN P. MONTGOMERY	COURT EXECUTIVE OFFICER
ELAINE PASSARIS	REPORTER

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For the Defendant (In Pro Per):

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FILED

JUL 2 3 1993

HOWARD HANSON
MARIN COUNTY CLERK
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INTERNATIONAL

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation,

Plaintiff,

vs.

GERALD ARMSTRONG; MICHAEL WALTON; THE GERALD ARMSTRONG CORPORATION, a California for-profit corporation; DOES 1 through 100, inclusive,

Defendants.

CASE NO. 157680

VERIFIED COMPLAINT TO SET ASIDE FRAUDULENT TRANSFERS AND FOR DAMAGES; CONSPIRACY

[C.C. §§ 3302, 3439.07(a)(1),(3)]

DATE:
TIME:
DEPT:

DISCOVERY CUT-OFF: None
MOTION CUT-OFF: None
TRIAL DATE: None

Plaintiff, by its attorneys, Wilson, Ryan & Campilongo and Bowles & Moxon, for its Complaint, alleges:

NATURE OF THE ACTION

1. In December, 1986, plaintiff and defendant Gerald Armstrong ("Armstrong") entered into a settlement agreement ("the Agreement"). The Agreement provided for a mutual release and

SUMMONS ISSUED

#1, #2, #3

waiver of all claims arising out of a cross-complaint which defendant Armstrong had filed in the case of Church of Scientology of California v. Gerald Armstrong, Los Angeles Superior Court No. C 420153. Armstrong, a former Church member who sought, by both litigation and covert means, to disrupt the activities of his former faith, displayed through the years an intense and abiding hatred for the Church, and an eagerness to annoy and harass his former co-religionists by spreading enmity and hatred among members and former members. Plaintiff sought, with the Agreement, to end all of Armstrong's covert activities against it, along with the litigation itself. For that reason, the Agreement contained carefully negotiated and agreed-upon confidentiality provisions and provisions prohibiting Armstrong from fomenting litigation against plaintiff by third parties. These provisions were bargained for by plaintiff to put an end to the enmity and strife generated by Mr. Armstrong once and for all. The Agreement also provided, inter alia, for liquidated damages to be paid by Armstrong should he choose to breach these provisions.

2. In or about February, 1990, Armstrong began to take a series of actions which directly violated provisions of the Agreement. Fearing that plaintiff would seek to collect the liquidated damages owed by his breaches, Armstrong, as set forth below, fraudulently conveyed all of his property, including real property located in Marin County, cash, and personal property to defendants Michael Walton, the Gerald Armstrong Corporation, and Does 1-100, receiving no consideration in return. Thereafter, Armstrong deliberately set out to repeatedly breach the

Agreement, incurring a debt which at present totals at least $1,800,000, and which he has and had no assets to use to satisfy the debt.

3. Armstrong's breaches and resulting indebtedness are presently the subject of two actions pending in Los Angeles Superior Court, Church of Scientology International v. Armstrong, LASC No. BC 052395 ("the First Action"), demanding liquidated damages of $600,000.00 for breaches occurring between July, 1991 and May, 1992, and Church of Scientology International v. Armstrong, LASC No. BC 084642 ("the Second Action"), demanding liquidated damages of $1,200,000.00, for breaches occurring between August, 1991 and June, 1993.

THE PARTIES

4. Plaintiff Church of Scientology International is a non-profit religious corporation incorporated under the laws of the State of California, having its principal offices in Los Angeles, California. Plaintiff CSI is the Mother Church of the Scientology religion.

5. Defendant Gerald Armstrong is a resident of Marin County, California.

6. Defendant Michael Walton is a resident of Marin County, California.

7. Defendant Gerald Armstrong Corporation ("GAC") is a corporation incorporated under the laws of the State of California, having its principal offices in San Anselmo, California.

8. Plaintiff is ignorant of the names and capacities of the defendants identified as DOES 1 through 25, inclusive, and thus brings suit against those defendants by their true names

upon the ascertainment of their true names and capacities, and their responsibility for the conduct alleged herein.

DEFENDANT GAC IS THE ALTER EGO OF DEFENDANT ARMSTRONG

9. Defendant Armstrong is GAC's president and sole officer, its principal shareholder and sole employee, and has been since the incorporation of GAC in 1987. Further, defendant Armstrong has the sole and exclusive right to control the corporation's bank account and its disbursement of funds.

10. Defendant GAC is, and at all times since its incorporation was, the alter ego of defendant Armstrong. There exists, and at all times since GAC's incorporation has existed, a unity of interest and ownership between these two defendants such that any separateness between them has ceased to exist: Defendant Armstrong caused his own personal assets to be transferred to GAC without adequate consideration in order to evade payment of his lawful obligations, and defendant Armstrong has completely controlled, dominated, managed and operated GAC since its incorporation for his own personal benefit.

11. Defendant GAC is, and at all times mentioned was, a mere shell, instrumentality and conduit through which defendant Armstrong carried on his activities in the corporate name exactly as he conducted them previous to GAC's incorporation. Armstrong exercised and exercises such complete control and dominance of such activities that any individuality or separateness of defendant GAC and defendant Armstrong does not, and at all relevant times did not, exist.

12. Adherence to the fiction of the separate existence of

defendant GAC as an entity distinct from defendant Armstrong would permit an abuse of the corporate privilege and would sanction fraud, in that Armstrong transferred his material assets to GAC in 1988, at the time of his embarkation on the campaign of harassment described herein, and with the intention of preventing plaintiff from obtaining monetary relief from Armstrong pursuant to the liquidated damages clause. Hence, GAC exists solely so that Armstrong may be "judgment proof."

THE CONTRACT

13. On or about December 6, 1986, CSI and Armstrong entered into a written confidential settlement Agreement, a true and correct copy of which is attached hereto as Exhibit A, and incorporated by reference.

14. The Agreement was entered into by plaintiff and defendant Armstrong, with the participation of their respective counsel after full negotiation. Each provision of the Agreement was carefully framed by the parties and their counsel to accurately reflect the agreement of the parties.

15. Plaintiff specifically negotiated for and obtained from Armstrong the provisions in the Agreement delineated in paragraphs 7(D), 7(H), 7(G), 10 and paragraphs 12 through 18. Plaintiff took this step because it was well aware, through investigation, that Armstrong had undertaken a series of covert activities, apart from the litigation, which were intended by Armstrong to discredit Church leaders, spark government raids into the Churches, create phony "evidence" of wrongdoing against the Churches, and, ultimately, destroy the Churches and their leadership.

16. Paragraph 7(D) of the Agreement provided, in substance, that Armstrong: (1) would not create or publish, or assist another in creating or publishing, any media publication or broadcast, concerning information about plaintiff, L. Ron Hubbard or any other persons or entities released by the Agreement; (2) would maintain "strict confidentiality and silence" with respect to his alleged experiences with plaintiff or any knowledge he might have concerning plaintiff, L. Ron Hubbard, or other Scientology-related entities and individuals; (3) would not disclose any documents which related to plaintiff or other identified entities and individuals; and (4) would pay to plaintiff $50,000 in liquidated damages for each disclosure or other breach of that paragraph.

17. Contemporaneously with the signing of the Agreement, Armstrong represented that he understood the Agreement's provisions and was acting of his own free will and not under duress.

18. The Agreement also provided that plaintiff CSI would pay to Armstrong's attorney, Michael Flynn, a lump sum amount intended to settle not just Armstrong's case, but the cases of other clients of Mr. Flynn as well, and that Mr. Flynn would pay to Armstrong a portion of that settlement amount. The exact amount of the portion to be paid to Armstrong by Mr. Flynn was maintained as confidential between Mr. Flynn and Armstrong.

19. CSI paid to Mr. Flynn the lump sum settlement amount.

20. Mr. Flynn paid to Armstrong his confidential portion of the lump sum settlement amount, which was at least $520,000, after expenses.

21. The consideration paid to Armstrong was fair, reasonable and adequate. Plaintiff CSI has performed all of its obligations pursuant to the Agreement.

BREACHES OF THE AGREEMENT

22. Beginning in February, 1990, and continuing unabated until the present, Armstrong has breached the Agreement wilfully and repeatedly, including, inter alia, the provisions of Paragraph 7(D) of the Agreement which require Armstrong to pay plaintiff liquidated damages for each such breach.

23. In addition to the breaches of the Agreement which invoke the liquidated damages clause, Armstrong has committed additional violations of provisions of the Agreement which entitle plaintiff to compensatory damages according to proof.

24. Despite demand by plaintiff, Armstrong has refused to pay any damages, liquidated or compensatory, for the deliberate breaches of the Agreement described herein.

25. The breaches described herein are presently the subject of litigation in the First Action and the Second Action, and have not yet been reduced to judgment.

FIRST CAUSE OF ACTION

TO SET ASIDE FRAUDULENT TRANSFER OF REAL PROPERTY

(Against Defendants Gerald Armstrong and Michael Walton)

26. Plaintiff realleges paragraphs 1 - 25, inclusive, and incorporates them herein by reference.

27. On or about August 24, 1990, defendant Gerald Armstrong was an owner and in possession and control of that real property situated in Marin County known as 707 Fawn Drive, San Anselmo, California, and more particularly described as follows:

PARCEL ONE

PARCEL TWO as shown upon that certain Parcel Map entitled, "Parcel Map Lands of California Land Title Portion Lands described in book 2887 of Official Records, at page 367, also being Portion of Lots 501 and 501-A unrecorded Map of Sleepy Hollow Acres, Vicinity of San Anselmo, Marin County, California, filed for record April 8, 1976 in Volume 12 of Parcel Maps, at page 43, Marin County Records.

EXCEPTING THEREFROM that portion deeded to Alain Pigois and Nina Pigois, husband and wife, as community property, by Deed recorded February 27, 1989, Serial No. 89 13373.

PARCEL TWO

AN EASEMENT for ingress, egress and public utility purposes described as follows:

BEGINNING at a point on the centerline of Fawn Drive, said point being the most southwesterly corner of Parcel 3, as shown upon that certain map entitled, "Parcel Map Lands of California Land Title Portion Lands described in Book 2887 of Official Records, at page 367, also being a portion of Lots 501 and 501-A, unrecorded Map of Sleepy Hollow Acres, Vicinity of San Anselmo, Marin County, California", filed for record April 9, 1976 in Volume 12 of Parcel Maps, at page 43, Marin County Records, said point also being the intersection of the calls "South 26° 20′ East 135 feet and North 63° 40′ East 20 feet" as contained in Parcel 2 of the Deed executed by California Land Title Company, a corporation to Michael C. McGuckin, et ux, recorded March 26, 1976 in Book 3010 of Official Records, at page 190, Marin County Records; thence from said point of beginning and along the exterior boundary of said Parcel 3, North 63° 40′ East 20 feet; thence North 75° 07′ 20" East 164.00 feet; thence leaving said exterior boundary of Parcel 3, North 12° 41′ East 85.00 feet; thence North 30° 45′ West 126.00 feet, thence North 13° 30′ East 79.21 feet to the northwesterly boundary of Parcel 1, as shown upon that certain map referred to hereinabove; thence along the exterior boundary of said Parcel 1, South 84° 00′ west 75.70 feet to the most Northerly corner of the parcel of land described in the Deed executed by Charles B. Roertson, et ux, to Paul Hopkins Talbot, Jr., et ux, recorded January 30, 1956 in book 1002 of Official Records, at page 623, Marin County Records; thence 111.77 feet, thence leaving said exterior boundary of Parcel 1, South 18° 45′ East 95.06 feet thence South 21° 48′ West 70.66 feet; thence South 75° 07′ 20" West 160.00 feet to the certline of Fawn Drive; thence along the

> exterior boundary of said Parcel 3, also being the centerline of "Fawn Drive, South 26° 20′ East 34.46 feet to the point of beginning.

28. On or about August 24, 1990, defendants Gerald Armstrong and Michael Walton transferred by grant deed the above-described property to defendant Michael Walton. On August 27, 1990, the grant deed was recorded in Marin County Official Records as number 90 50497 in the Office of the County Recorder of Marin County, California.

29. Plaintiff is further informed and believes and thereon alleges that the transfer was made with an actual intent to hinder, delay or defraud plaintiff in the collection of its damages.

30. Further, plaintiff is informed, and believes, and thereon alleges that at the time Armstrong made the transfers, he intended in the future to engage in the conduct in breach of his Agreement with plaintiff, described above, knowing that he would thereby incur the damages described herein and for which he would have rendered himself judgment-proof.

31. Defendant Armstrong received no money or other consideration in exchange for the aforementioned transfer. Plaintiff is informed and believes and thereon alleges that at the time of the transfer of the real property defendant Armstrong's interest in the real property was not less than $397,500.00. Thus, defendant Armstrong did not receive reasonably equivalent value in exchange for his interest in the real property.

32. Plaintiff is informed and believes and thereon alleges that defendant Walton received the above-described real property

with knowledge that defendant Armstrong intended to (1) hinder, delay or defraud the collection of plaintiff's aforementioned damages and (2) further breach his Agreement with plaintiff, thereby incurring substantial damages which it would be impossible for Armstrong to pay. Defendant Walton had previously advised Armstrong concerning the Agreement and was familiar with its terms and conditions; further, Armstrong had informed defendant Walton of his vendetta against plaintiff and all Churches of Scientology, and of his intentions to breach the Agreement. Moreover, Walton was well aware of the fraudulent nature of the transfer, for which he received no money or other consideration.

SECOND CAUSE OF ACTION

TO SET ASIDE FRAUDULENT TRANSFER OF ASSETS

(Against All Defendants)

33. Plaintiff realleges paragraphs 1-25, inclusive, and incorporates them herein by reference.

34. On or about August, 1990, defendant Gerald Armstrong was the owner and in possession and control of approximately $41,500 in cash, and shares of stock in The Gerald Armstrong Corporation which were valued by Armstrong at $1,000,000.

35. On or about August, 1990, Armstrong transferred the $41,500 in cash and the shares of stock in The Gerald Armstrong Corporation to defendants Walton and Does 1 - 100.

36. Plaintiff is further informed and believes and thereon alleges that the transfer was made with an actual intent to hinder, delay or defraud plaintiff in the collection of its damages.

37. Further, plaintiff is informed, and believes and thereon alleges that at the time Armstrong made the transfers, he intended in the future to engage in the conduct in breach of his Agreement with plaintiff, described above, knowing that he would thereby incur the damages described herein, and for which he would have rendered himself and his corporation judgment-proof.

38. Defendant Armstrong received no money or other consideration in exchange for the aforementioned transfer. Plaintiff is informed and believes and thereon alleges that at the time of the transfer of the cash and stock, defendant Armstrong's interest in the cash and stock was not less than $1,041,500. Thus, defendant Armstrong did not receive reasonably equivalent value in exchange for his interest in the transferred assets.

39. Plaintiff is informed and believes and thereon alleges that defendants Walton and Does 1 -100 received the above-described real property with knowledge that defendant Armstrong intended to (1) hinder, delay or defraud the collection of plaintiff's aforementioned damages; and (2) further breach his Agreement with plaintiff, thereby incurring substantial damages which it would be impossible for Armstrong or his corporation to pay. Defendant Walton had previously advised Armstrong concerning the Agreement and was familiar with its terms and conditions; further, Armstrong had informed defendant Walton and Does 1-100 of his vendetta against plaintiff and all Churches of Scientology, and of his intentions to breach the Agreement. Moreover, Walton and Does 1-100 were well aware of the fraudulent nature of the transfer, for which they received no money or other

consideration.

THIRD CAUSE OF ACTION

CONSPIRACY

(Against All Defendants)

40. Plaintiff realleges paragraphs 1-32 and 34-39, inclusive, and incorporates them herein by reference.

41. As alleged above, in August, 1990, defendants Armstrong, Walton, and Does 1 - 100 agreed, and knowingly and willfully conspired between themselves to hinder, delay and defraud plaintiff in the collection of its damages, and to render Armstrong unable to pay any and all damages to plaintiff which Armstrong had incurred and intended to and did incur in violation of the Agreement.

42. Pursuant to this conspiracy, the above-named defendants agreed that Walton and Does 1 - 100 would take ownership and/or possession of all of defendant Armstrong's assets of any value, including the above-described real property, cash and stock and everything remaining from the proceeds of the settlement which Armstrong had accepted from plaintiff pursuant to the Agreement. Further, the defendants conspired and agreed to hide any and all future assets acquired by Armstrong in the sham corporation, The Gerald Armstrong Corporation, in order to protect Armstrong's assets from collection so long as he was breaching the Agreement, and plaintiff was attempting to collect damages for those breaches. Plaintiff is unaware of the present value of those assets which have been so hidden, but is informed and believes and thereon alleges that their value exceeds $1,800,000, the minimum value of plaintiff's claim.

43. Defendants Armstrong, Walton, The Gerald Armstrong Corporation and Does 1 - 100 did the acts and things herein alleged pursuant to, and in furtherance of, the conspiracy and agreement alleged above.

44. As a proximate result of the wrongful acts herein alleged, plaintiff has been generally damaged in the sum of $1,800,000.

45. At all times mentioned herein, defendants Walton, Armstrong, The Gerald Armstrong Corporation and Does 1-100 knew of defendant Armstrong's actions and intended actions against plaintiff, knew of Armstrong's resultant obligation to plaintiff, and knew that plaintiff's claims could only be satisfied out of the property, sums and stock transferred by Armstrong. Notwithstanding this knowledge, defendants Walton, Armstrong, The Gerald Armstrong Corporation and Does 1-100 intentionally, willfully, fraudulently and maliciously did the things herein alleged to defraud and oppress plaintiff. Plaintiff is therefore entitled to exemplary or punitive damages in the sum of $3,000,000 against all defendants, individually and severally.

WHEREFORE, plaintiff prays for judgment as follows:

ON THE FIRST CAUSE OF ACTION

1. That the transfer of the real property from defendant Armstrong to defendant Walton be set aside and declared void as to the plaintiff herein to the extent necessary to satisfy plaintiff's claim in the sum of $1,800,000 plus interest thereon at the maximum rate permitted by law from 1990;

2. That defendant Walton be restrained from disposing of

the property transferred;

3. That a temporary restraining order be granted plaintiff enjoining and restraining defendant Walton, and his representatives, agents, and attorneys from selling, transferring, conveying, or otherwise disposing of any of the property transferred;

4. That the judgment herein be declared a lien on the property transferred;

5. That an order be made declaring that defendant Walton holds all of the real property described above in trust for plaintiff.

6. That defendant Walton be required to account to plaintiff for all profits and proceeds earned from or taken in exchange for the property described above.

ON THE SECOND CAUSE OF ACTION

1. That the transfer of assets from defendant Armstrong to defendants Walton and Does 1 - 100 be set aside and declared void as to the plaintiff herein to the extent necessary to satisfy plaintiff's claim in the sum of $1,800,000 plus interest thereon at the maximum rate permitted by law from 1990;

2. That defendants Walton, The Gerald Armstrong Corporation and Does 1 - 100 be restrained from disposing of the property transferred;

3. That a temporary restraining order be granted plaintiff enjoining and restraining defendants Walton, The Gerald Armstrong Corporation and Does 1 - 100, and their representatives, agents, and attorneys from selling, transferring, conveying, or otherwise disposing of any of the property transferred;

4. That the judgment herein be declared a lien on the property transferred;

5. That an order be made declaring that defendants Walton, The Gerald Armstrong Corporation and Does 1-100 hold all of the assets described above in trust for plaintiff.

6. That defendants Walton and Does 1 - 100 be required to account to plaintiff for all profits and proceeds earned from or taken in exchange for the property described above;

ON THE THIRD CAUSE OF ACTION

1. For general damages in the amount of $1,800,000;

2. For exemplary or punitive damages in the sum of $3,000,000;

ON ALL CAUSES OF ACTION AGAINST ALL DEFENDANTS

1. For attorneys fees and costs;

2. For such other and further relief as the court may deem proper.

DATED: July 21, 1993

WILSON, RYAN & CAMPILONGO

BY: Andrew H. Wilson
Andrew H. Wilson

Laurie J. Bartilson
BOWLES & MOXON

Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY
INTERNATIONAL

VERIFICATION

I, ANDREW H. WILSON, declare as follows:

I am one of the attorneys for the Plaintiff Church of Scientology International in the above-entitled matter. I have read the foregoing Verified Complaint to Set Aside Fraudulent Transsfers and for Damages; Conspiracy and know the contents thereof, which are true of my own knowledge except as to those matters which are stated on information and belief, and as to those matters, I believe it to be true.

I declare under the penalty of perjury pursuant to the laws of the State of California that the foregoing is true and correct. Executed on July 21, 1993 at San Francisco, California.

ANDREW H. WILSON

MUTUAL RELEASE OF ALL CLAIMS AND SETTLEMENT AGREEMENT

1. This Mutual Release of All Claims and Settlement Agreement is made between Church of Scientology International (hereinafter "CSI") and Gerald Armstrong, (hereinafter "Plaintiff") Cross-Complainant in Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153. By this Agreement, Plaintiff hereby specifically waives and releases all claims he has or may have from the beginning of time to and including this date, including all causes of action of every kind and nature, known or unknown for acts and/or omissions against the officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel of CSI as well as the Church of Scientology of California, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Religious Technology Center, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; all Scientology and Scientology affiliated organizations and entities and their officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Author Services, Inc., its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and its trustee; and Mary Sue Hubbard, (all hereinafter collectively referred to as the

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Ex.1. 19. A.

"Releasees"). The parties to this Agreement hereby agree as follows:

2. It is understood that this settlement is a compromise of doubtful and disputed claims, and that any payment is not to be construed, and is not intended, as an admission of liability on the part of any party to this Agreement, specifically, the Releasees, by whom liability has been and continues to be expressly denied. In executing this settlement Agreement, Plaintiff acknowledges that he has released the organizations, individuals and entities listed in the above paragraph, in addition to those defendants actually named in the above lawsuit, because among other reasons, they are third party beneficiaries of this Agreement.

3. Plaintiff has received payment of a certain monetary sum which is a portion of a total sum of money paid to his attorney, Michael J. Flynn. The total sum paid to Mr. Flynn is to settle all of the claims of Mr. Flynn's clients. Plaintiff's portion of said sum has been mutually agreed upon by Plaintiff and Michael J. Flynn. Plaintiff's signature below this paragraph acknowledges that Plaintiff is completely satisfied with the monetary consideration negotiated with and received by Michael J. Flynn. Plaintiff acknowledges that there has been a block settlement between Plaintiff's attorney, Michael J. Flynn, and the Church of Scientology and Churches and entities related to the Church of Scientology, concerning all of Mr. Flynn's clients who were in litigation with any Church of Scientology or related entity. Plaintiff has received a portion of this block

amount, the receipt of which he hereby acknowledges. Plaintiff understands that this amount is only a portion of the block settlement amount. The exact settlement sum received by Plaintiff is known only to Plaintiff and his attorney, Michael J. Flynn, and it is their wish that this remain so and that this amount remain confidential.

Signature line for Gerald Armstrong

4. For and in consideration of the above described consideration, the mutual covenants, conditions and release contained herein, Plaintiff does hereby release, acquit and forever discharge, for himself, his heirs, successors, executors, administrators and assigns, the Releasees, including Church of Scientology of California, Church of Scientology International, Religious Technology Center, all Scientology and Scientology affiliated organizations and entities, Author Services, Inc. (and for each organization or entity, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel); L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and trustee; and Mary Sue Hubbard, and each of them, of and from any and all claims, including, but not limited to, any claims or causes of action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153 and all demands, damages, actions and causes of actions of every kind and nature, known or unknown,

for or because of any act or omission allegedly done by the Releasees, from the beginning of time to and including the date hereof. Therefore, Plaintiff does hereby authorize and direct his counsel to dismiss with prejudice his claims now pending in the above referenced action. The parties hereto will execute and cause to be filed a joint stipulation of dismissal in the form of the one attached hereto as Exhibit "A".

A. It is expressly understood by Plaintiff that this release and all of the terms thereof do not apply to the action brought by the Church of Scientology against Plaintiff for Conversion, Fraud and other causes of action, which action has already gone to trial and is presently pending before the Second District, Third Division of the California Appellate Court (Appeal No. B005912). The disposition of those claims are controlled by the provisions of the following paragraph hereinafter.

B. As of the date this settlement Agreement is executed, there is currently an appeal pending before the California Court of Appeal, Second Appellate District, Division 3, arising out of the above referenced action delineated as Appeal No. B005912. It is understood that this appeal arises out of the Church of Scientology's complaint against Plaintiff which is not settled herein. This appeal shall be maintained notwithstanding this Agreement. Plaintiff agrees to waive any rights he may have to take any further appeals from any decision eventually reached by the Court of Appeal or any rights he may have to oppose (by responding brief or any other means) any further appeals taken by the Church of

Scientology of California. The Church of Scientology of California shall have the right to file any further appeals it deems necessary.

5. For and in consideration of the mutual covenants, conditions and release contained herein, and Plaintiff dismissing with prejudice the action Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153, the Church of Scientology of California does hereby release, acquit and forever discharge for itself, successors and assigns, Gerald Armstrong, his agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by Gerald Armstrong from the beginning of time to and including the date hereof.

6. In executing this Agreement, the parties hereto, and each of them, agree to and do hereby waive and relinquish all rights and benefits afforded under the provisions of Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

7. Further, the undersigned hereby agree to the following:

A. The liability for all claims is expressly denied by the parties herein released, and this final compromise and

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settlement thereof shall never be treated as an admission of liability or responsibility at any time for any purpose.

B. Plaintiff has been fully advised and understands that the alleged injuries sustained by him are of such character that the full extent and type of injuries may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, further damages may be sustained by Plaintiff; nevertheless, Plaintiff desires by this document to forever and fully release the Releasees. Plaintiff understands that by the execution of this release no further claims arising out of his experience with, or actions by, the Releasees, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by him or on his behalf, against the Releasees.

C. Plaintiff agrees to assume responsibility for the payment of any attorney fee, lien or liens, imposed against him past, present, or future, known or unknown, by any person, firm, corporation or governmental entity or agency as a result of, or growing out of any of the matters referred to in this release. Plaintiff further agrees to hold harmless the parties herein released, and each of them, of and from any liability arising therefrom.

D. Plaintiff agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff further agrees that he will maintain strict confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above. The attorneys for Plaintiff, subject to the ethical limitations restraining them as promulgated by the state or federal regulatory associations or agencies, agree not to disclose any of the terms and conditions of the settlement negotiations, amount of the settlement, or statements made by either party during settlement conferences. Plaintiff agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of $50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein is an estimate of the damages that each party would suffer in the event this Agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by Plaintiff.

E. With exception to the items specified in Paragraph 7(L), Plaintiff agrees to return to the Church of Scientology International at the time of the consummation of this Agreement, all materials in his possession, custody or control (or within the possession, custody or control of his attorney, as well as third parties who are in possession of the described documents), of any nature, including originals and all copies or summaries of documents defined in Appendix "A" to this Agreement, including but not limited to any tapes, computer disks, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above, all evidence of any nature, including evidence obtained from the named defendants through discovery, acquired for the purposes of this lawsuit or any lawsuit, or acquired for any other purpose concerning any Church of Scientology, any financial or administrative materials concerning any Church of Scientology, and any materials relating personally to L. Ron Hubbard, his family, or his estate. In addition to the documents and other items to be returned to the Church of Scientology International listed above and in Appendix "A", Plaintiff agrees to return the following:

(a) All originals and copies of the manuscript for the work "Excalibur" written by L. Ron Hubbard;

(b) All originals and copies of documents commonly known as the "Affirmations" written by L. Ron Hubbard; and

(c) All documents and other items surrendered to the Court by Plaintiff and his attorneys pursuant to Judge Cole's orders of August 24, 1982 and September 4, 1982 and all documents and other items taken by the Plaintiff from either the Church of Scientology or Omar Garrison. This includes all documents and items entered into evidence or marked for identification in Church of Scientology of California v. Gerald Armstrong, Case No. C 420 153. Plaintiff and his attorney will execute a Joint Stipulation or such other documents as are necessary to obtain these documents from the Court. In the event any documents or other items are no longer in the custody or control of the Los Angeles Superior Court, Plaintiff and his counsel will assist the Church in recovering these documents as quickly as possible, including but not limited to those tapes and other documents now in the possession of the United States District Court in the case of United States v. Zolin, Case No. CV

85-0440-HLH(Tx), presently on appeal in the Ninth Circuit Court of Appeals. In the event any of these documents are currently lodged with the Court of Appeal, Plaintiff and his attorneys will cooperate in recovering those documents as soon as the Court of Appeal issues a decision on the pending appeal.

To the extent that Plaintiff does not possess or control documents within categories A-C above, Plaintiff recognizes his continuing duty to return to CSI any and all documents that fall within categories A-C above which do in the future come into his possession or control.

F. Plaintiff agrees that he will never again seek or obtain spiritual counselling or training or any other service from any Church of Scientology, Scientologist, Dianetics or Scientology auditor, Scientology minister, Mission of Scientology, Scientology organization or Scientology affiliated organization.

G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology.

H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed.

I. The parties hereto agree that in the event of any future litigation between Plaintiff and any of the organizations, individuals or entities listed in Paragraph 1 above, that any past action or activity, either alleged in this lawsuit or activity similar in fact to the evidence that was developed during the course of this lawsuit, will not be used by either party against the other in any future litigation. In other words, the "slate" is wiped clean concerning past actions by any party.

J. It is expressly understood and agreed by Plaintiff that any dispute between Plaintiff and his counsel as to the proper division of the sum paid to Plaintiff by his attorney of record is between Plaintiff and his attorney of record and shall in no way affect the validity of this Mutual Release of All Claims and Settlement Agreement.

K. Plaintiff hereby acknowledges and affirms that he is not under the influence of any drug, narcotic, alcohol or other mind-influencing substance, condition or ailment such that his ability to fully understand the meaning of this Agreement and the significance thereof is adversely affected.

L. Notwithstanding the provisions of Paragraph 7(E) above, Plaintiff shall be entitled to retain any artwork created by him which concerns or relates to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above provided that such artwork never be disclosed either directly or indirectly, to anyone. In the event of a disclosure in breach of this Paragraph 7(L), Plaintiff shall be subject to the liquidated damages and constructive trust provisions of Paragraph 7(D) for each such breach.

8. Plaintiff further agrees that he waives and relinquishes any right or claim arising out of the conduct of any defendant in this case to date, including any of the organizations, individuals or entities as set forth in Paragraph 1 above, and the named defendants waive and relinquish any right or claim arising out of the conduct of Plaintiff to date.

9. This Mutual Release of All Claims and Settlement Agreement contains the entire agreement between the parties hereto, and the terms of this Agreement are contractual and not a mere recital. This Agreement may be amended only by a written instrument executed by Plaintiff and CSI. The parties hereto have carefully read and understand the contents of this Mutual Release of All Claims and Settlement Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically

incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement.

11. The parties to this Agreement acknowledge the following:

A. That all parties enter into this Agreement freely, voluntarily, knowingly and willingly, without any threats, intimidation or pressure of any kind whatsoever and voluntarily execute this Agreement of their own free will;

B. That all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have obtained advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement; and

C. That all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

12. Each party shall bear its respective costs with respect to the negotiation and drafting of this Agreement and

all acts required by the terms hereof to be undertaken and performed by that party.

13. To the extent that this Agreement inures to the benefit of persons or entities not signatories hereto, this Agreement is hereby declared to be made for their respective benefits and uses.

14. The parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions of this Agreement.

15. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16. In the event any provision hereof be unenforceable, such provision shall not affect the enforceability of any other provision hereof.

17. All references to the plural shall include the singular and all references to the singular shall include the plural. All references to gender shall include both the masculine and feminine.

18.(A) Each party warrants that they have received independent legal advice from their attorneys with respect to the advisability of making the settlement provided for herein and in executing this Agreement.

(B) The parties hereto (including any officer, agent, employee, representative or attorney of or for any party) acknowledge that they have not made any statement, representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party (or of any officer, agent, employee, representative or attorney for the other party).

(C) The persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

(D) The parties hereto and their respective attorneys each agree not to disclose the contents of this executed Agreement. Nothing herein shall be construed to prevent any party hereto or his respective attorney from stating that this civil action has been settled in its entirety.

(E) The parties further agree to forbear and refrain from doing any act or exercising any right, whether existing now or in the future, which act or exercise is inconsistent with this Agreement.

19. Plaintiff has been fully advised by his counsel as to the contents of this document and each provision hereof. Plaintiff hereby authorizes and directs his counsel to dismiss with prejudice his claims now pending in the action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153.

20. Notwithstanding the dismissal of the lawsuit pursuant to Paragraph 4 of this Agreement, the parties hereto agree that the Los Angeles Superior Court shall retain

jurisdiction to enforce the terms of this Agreement. This Agreement may be enforced by any legal or equitable remedy, including but not limited to injunctive relief or declaratory judgment where appropriate. In the event any party to this Agreement institutes any action to preserve, to protect or to enforce any right or benefit created hereunder, the prevailing party in any such action shall be entitled to the costs of suit and reasonable attorney's fees.

21. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date opposite their names.

Dated: December 6, 1986

GERALD ARMSTRONG

J. Ann Richardson
Witness

Witness

Dated: 12/6/86

APPROVED AS TO FORM AND CONTENT:

M. J. Flynn
MICHAEL J. FLYNN
Attorney for
GERALD ARMSTRONG

Dated: December 11, 1986

Heber C. Jentzsch for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

3102

FILED

NOV 29 1993

HOWARD HANSON
MARIN COUNTY CLERK
by P. Fan, Deputy

MICHAEL WALTON
P.O. Box 751
San Anselmo, CA 94979
(415) 456-7920
In Propria Persona

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation, Plaintiff, vs. GERALD ARMSTRONG; MICHAEL WALTON; THE GERALD ARMSTRONG CORPORATION, a California for profit corporation; DOES 1 through 100, inclusive, Defendants.	CASE NO. 157 680 VERIFIED ANSWER OF DEFENDANT MICHAEL WALTON Date: Time: Location: Trial Date:

Defendant MICHAEL L. WALTON responds to the Complaint as follows:

1. Defendant does not have sufficient information or belief to respond to paragraph 1, 2, 3, 4, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 30, 34, 37, and basing his denial on that ground, denies each and every allegation of said paragraphs.

2. Defendant denies generally and specifically each and every allegation of paragraphs 44, 29, 31, 32, except that defendant admits that he had previously advised Armstrong concerning certain elements of the agreement. With respect to Paragraph 44, defendant specifically denies that plaintiff has been damaged in any sum

whatsoever.

3. Defendant does not have sufficient information or belief to respond to the DOE allegations contained in paragraphs 35, 36, 38, 39, 41, 42, 43, and 45 and basing his denial on that ground, denies each and every allegation of said paragraphs and with respect to those allegations directed to defendant, defendant denies specifically each and every one.

4. Defendant admits the allegations in Paragraphs 5, 6, 27 & 28.

5. In response to paragraph 26, 33, & 40, Defendant re-alleges and reincorporates herein by reference his responses to paragraphs 1 through 45 of the Complaint.

FIRST AFFIRMATIVE DEFENSE

6. The Complaint and each and every purported cause of action contained therein fails to state facts sufficient to constitute a cause of action against this answering defendant.

7. The Complaint and the whole thereof fails to state facts sufficient to entitle plaintiff to recover punitive damages or any damages whatsoever.

SECOND AFFIRMATIVE DEFENSE

8. If any allegation contained in the Complaint is adjudged to be true and the plaintiff was injured and/or damaged in any manner, this answering defendant alleges that said injuries and/or damages, if any, were and are the proximate and direct result of the recklessness, carelessness, negligence and fault of the plaintiff and persons other than this answering defendant. In the event that

this answering defendant is found to be liable to the plaintiff herein in some manner, this answering defendant requests that his liability be reduced because of the negligence of such other persons, whose conduct contributed to whatever injuries and/or damages plaintiff sustained and requests that any judgment rendered herein in favor of plaintiff and against this answering defendant be in an amount proportionate to this answering plaintiffs individual degree of fault.

THIRD AFFIRMATIVE DEFENSE

9. Plaintiff is equitably estopped from asserting each and all of the purported causes of action in the complaint by reason of its own acts, omissions and conduct, or that of its agents.

FOURTH AFFIRMATIVE DEFENSE

10. Plaintiff is barred from bringing this action against this defendant by reason of its own acts, omissions and conduct, or that of its agents.

WHEREFORE, this answering defendant prays for judgment as follows;

(1) That plaintiff take nothing by way of its complaint;

(2) for costs of suit incurred herein;

(3) for attorneys fees;

(4) and for such other and further relief as the court may deem just and proper.

DATED: November 25, 1993

MICHAEL WALTON
IN PRO PER

VERIFICATION

I, Michael Walton, declare as follows:

I am one of the defendants in the above entitled matter. I have read the foregoing Verified Answer to complaint and know the contents thereof, which are true of my own knowledge except as to those matters which are stated on information and belief, and, as to those matters, I believe them to be true.

I declare under penalty of perjury pursuant to the laws of the State of California that the foregoing is true and correct. Executed on November 29, 1993 at San Anselmo, California.

Michael Walton

MICHAEL WALTON
P.O. Box 751
San Anselmo, CA 94979
(415) 456-7920
In Propria Persona

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation,

Plaintiff,

vs.

GERALD ARMSTRONG; MICHAEL WALTON; THE GERALD ARMSTRONG CORPORATION, a California for profit corporation; DOES 1 through 100, inclusive,

Defendants.

CASE NO. 157 680

DEMAND FOR JURY TRIAL

Date:
Time:
Location:
Trial Date:

TO: Plaintiff CHURCH OF SCIENTOLOGY INTERNATIONAL:

PLEASE TAKE NOTICE that defendant, MICHAEL WALTON, hereby demands a trial by jury in the above-entitled matter.

DATED: November 29, 1993

MICHAEL L. WALTON
In Pro Per

PROOF OF SERVICE BY MAIL

STATE OF CALIFORNIA, COUNTY OF MARIN

I am a resident of the county aforesaid; I am over the age of eighteen years and not a party to the within entitled action; my business address is 711 Sir Francis Drake Blvd., San Anselmo, California 94960.

On November 29, 1993, I served the within VERIFIED ANSWER OF MICHAEL WALTON and JURY DEMAND on the interested parties by placing true copies thereof enclosed in sealed envelopes with postage thereon fully prepaid, in the United States mail at San Anselmo, California addressed as follows:

Laurie J. Bartilson
Bowles & Moxon
62 55 Sunset Blvd., Suite 2000
Los Angeles, CA 90028

Wilson, Ryan & Campilongo
235 Montgomery Street, Suite 450
San Francisco, CA 94104

Ford Greene, Esq.
711 Sir Francis Drake
San Anselmo, CA 94960

Executed on November 29, 1993 at San Anselmo, California.

I declare under penalty of perjury that the foregoing is true and correct.

A

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FILED
NOV 30 1993
HOWARD HANSON
MARIN COUNTY CLERK
BY: E. Keswick, Deputy

Ford Greene
California State Bar No. 107601
HUB LAW OFFICES
711 Sir Francis Drake Boulevard
San Anselmo, California 94960-1949
Telephone: (415) 258-0360

Attorney for Defendant
GERALD ARMSTRONG

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation, Plaintiff, vs. GERALD ARMSTRONG; MICHAEL WALTON; THE GERALD ARMSTRONG CORPORATION, a California for-profit corporation; DOES 1 through 100, inclusive, Defendants.	No. **157 680** **VERIFIED ANSWER OF GERALD ARMSTRONG**

Gerald Armstrong, hereinafter "Armstrong," hereby submits the following answer to the complaint of plaintiff organization CHURCH OF SCIENTOLOGY INTERNATIONAL, hereinafter "CSI."

1. Armstrong admits that he entered into a settlement agreement, hereinafter "agreement" but denies that the Scientology organization, including plaintiff organization herein, hereinafter referred to as "CSI," entered into the same settlement "agreement." CSI had no intention that the "agreement" by which it seeks to bind Armstrong would settle anything or be effective

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in binding CSI to any future behavior. What CSI sought to enter into was a conspiracy by which it could continue to attack Armstrong, obstruct justice, and defraud the world's courts and its present and future victims. Armstrong denies that he entered into agreement with that conspiracy. Armstrong denies that the "agreement" provided for a mutual release and waiver of all claims arising out of a cross complaint he had filed in the case of CSC V. Armstrong, LA Superior Court No. C 420153. Armstrong considered that he was releasing CSI from all his claims and that CSI was releasing him from all its claims; but CSI considered rather that the settlement agreement it lead Armstrong to believe would apply to it did not in fact apply to it, and it considered that it was free to continue to press its claims against Armstrong and to continue to litigate his claims and its claims in the world's courts without him being able to respond. Armstrong denies that he is a former Church member. He is a present Church member. But he is not an org member. Armstrong denies that the description of CSI as a church is true. It is, as it is now structured and governed, a totalitarian cult of unreason, irreligious in philosophy, greedy in humor, antisocial in conduct, and political in motivation. Armstrong denies CSI's description of him. It is CSI which sought by litigation and covert means to disrupt Armstrong's activities and life, and which displayed through the years an intense and abiding hatred for Armstrong, and an eagerness to annoy and harass him by spreading enmity and hatred about him among its employees, customers, victims, in the media, the courts and the world. It is CSI's own policies, personnel and actions which have caused all of its disruptions of its activities and life that it seeks to hang on Armstrong. Armstrong denies that CSI sought to end his covert activities, because there were no such covert activities, or to end the litigation. Armstrong denies that the agreement contained carefully negotiated and agreed-upon provisions. Armstrong was not included in one word of the negotiations, which were engineered by CSI through its fair game operations toward and compromise of Armstrong's attorney, Michael Flynn. Armstrong never agreed to the conditions, but did agree with the representations of his attorney that the conditions were unenforceable. CSI intended and used the settlement to continue its litigation war with Armstrong, and to extend its use of litigation to attack its perceived enemies. CSI is the greatest fomenter of litigation this country has ever known. Its abuse of the system and its use of litigation to intimidate and destroy peoples' lives are legendary. Armstrong denies that CSI bargained for the settlement provisions to put an end to enmity and strife generated by him, because he generated no such enmity and strife. CSI's purpose with the settlement agreement was to allow it to continue and accelerate the global enmity and strife it generated so as to increase its ideological power and financial profit through the dissemination of unchecked disinformation.

2. Armstrong denies each and every averment of this paragraph. There is nothing he could have done in February 1990 which could possibly have violated any provisions of the agreement because there was no agreement. It was CSI which violated the agreement's provisions in letter and spirit, and has done so since its signing. Armstrong has never feared that CSI would seek to

collect the liquidated damages owed by his breaches. CSI is responsible for each breach which it blames on Armstrong, the underlying settlement agreement has been clearly proven to be unenforceable, and he is confident that he will prevail not only in this lawsuit, which is an out-and-out sham, but in the two pending lawsuits in Los Angeles Superior Court. Armstrong denies that he has ever fraudulently conveyed anything to anyone, and denies that he ever received no consideration in return for any transaction in which he has ever been involved. Armstrong never deliberately set out to repeatedly breach the agreement. Armstrong has incurred no debt to CSI.

3. Armstrong denies each and every averment of this paragraph. There are no breaches because there is no agreement to breach. There is no indebtedness. The two Los Angeles actions are clear evidence of CSI's agreement violations, abuse of process and malicious prosecution of Armstrong, and obstruction of justice toward its victims, "enemy" targets and the courts. Armstrong denies the designations given the LA actions by CSI. Church of Scientology International v. Armstrong, LASC No. BC 052395 is known by the designation Armstrong II. Church of Scientology International v. Armstrong, LASC No. BC 084642 is known by the designation Armstrong III. Church of Scientology of California v. Armstrong, LASC No. C 420153 is known by the designation Armstrong I. This action is Armstrong IV.

4. Armstrong denies that CSI is a church. Armstrong denies that Scientology is a religion.

5. Armstrong admits that he is a resident of Marin County.

6. Armstrong admits that Michael Walton is a resident of

Marin County.

7. Armstrong lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph and is therefore unable to admit or deny the same. Armstrong is the president and majority stockholder in The Gerald Armstrong Corporation, also known as TeeGeeAck, or TGAC, but has no information regarding Gerald Armstrong Corporation or "GAC."

8. Armstrong denies that there are any DOES 1 through 25 because there are no fraudulent conveyances on which this complaint has been based.

9. Armstrong denies each and every averment of this paragraph.

10. Armstrong denies each and every averment of this paragraph.

11. Armstrong denies each and every averment of this paragraph.

12. Armstrong denies each and every averment of this paragraph.

13. Armstrong denies each and every averment of this paragraph.

14. Armstrong denies each and every averment of this paragraph.

15. Armstrong denies each and every averment of this paragraph.

16. Armstrong admits the substance of this paragraph, except that an essential part of settlement agreement Paragraph 7 (D) has been omitted from the description of its substance in this paragraph; to wit, that it is further understood by all parties to

the agreement that the provisions of this paragraph are unenforceable.

17. Armstrong admits the representation in this paragraph, but only with the understanding that he understood that CSIanization understood that he understood that all parties understood that the agreement's provisions which appear to prohibit Armstrong's exercise of his Constitutional rights are unenforceable.

18. Armstrong admits the substance of this paragraph.

19. Armstrong lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph and is therefore unable to admit or deny the same.

20. Armstrong admits that he was paid an amount in settlement of his claims against CSI, but denies that it was at least $520,000 after expenses.

21. Armstrong denies each and every averment of this paragraph.

22. Armstrong denies each and every averment of this paragraph.

23. Armstrong denies each and every averment of this paragraph.

24. Armstrong denies that CSI has ever made a demand, denies that he has refused to pay any damages, and denies that CSI has suffered any damages.

25. Armstrong denies that there are any breaches described herein.

26. Armstrong admits that CSI realleges its paragraphs 1 - 25, and he readmits and redenies the averments of these paragraphs

as set forth in his answers 1 - 25 above.

27. Inasmuch as his name was on title on or about said date as an owner of said property, Armstrong admits the averments of this paragraph.

28. Armstrong admits that he did convey the subject property to Michael Walton but lacks knowledge or information sufficient to form a belief as to the truth of the other averments in this paragraph and is therefore unable to admit or deny the same.

29. Armstrong denies each and every averment of this paragraph.

30. Armstrong denies each and every averment of this paragraph.

31. Armstrong denies each and every averment of this paragraph.

32. Armstrong denies each and every averment of this paragraph; except he admits that Mr. Walton had advised him concerning the agreement, was familiar with the terms and conditions thereof, and was aware of the unrebutted and undenied evidence that attorney Michael Flynn was the victim of CSI's policy of fair game and that Mr. Flynn had advised both Armstrong and CSI that the agreement is unenforceable.

33. Armstrong admits that CSI reallege its paragraphs 1 - 25, and he readmits and redenies the averments of these paragraphs as set forth in his answers 1 - 25 above.

34. Armstrong denies each and every averment of this paragraph.

35. Armstrong denies each and every averment of this paragraph.

36. Armstrong denies each and every averment of this paragraph.

37. Armstrong denies each and every averment of this paragraph.

38. Armstrong denies each and every averment of this paragraph.

39. Armstrong denies each and every averment of this paragraph; except as admitted in answer 32 above.

40. Armstrong admits that CSI reallege its paragraphs 1 - 32 and 34 - 39 and he readmits and redenies the averments of these paragraphs as set forth in his answers 1 - 32 and 34 - 39 above.

41. Armstrong denies each and every averment of this paragraph.

42. Armstrong denies each and every averment of this paragraph; except that he admits that CSI is unaware of the value of any assets specified, described or alluded to in its complaint.

43. Armstrong denies each and every averment of this paragraph.

44. Armstrong denies each and every averment of this paragraph.

45. Armstrong denies each and every averment of this paragraph.

AFFIRMATIVE DEFENSES

Allegation Common To All Affirmative Defenses

46. Plaintiff is a single component of the Scientology organization, that, along with all of the Scientology-related beneficiaries of the 1986 settlement involving defendant Gerald Armstrong are subject to a unity of control exercised by David

Miscavige. Plaintiff and all other Scientology-related organizations, entities and individuals were created by David Miscavige and his attorneys as an attempt to avoid payment of civil judgments and to confuse courts and those seeking redress for the civil and criminal misconduct of Miscavige and all other Scientology-related organizations, entities and individuals. Due to the unity of personnel, commingling of assets, and commonality of business objectives, any effort by plaintiff to represent itself as being independent and separate should be disregarded.

FIRST AFFIRMATIVE DEFENSE

(First Amendment - Religion)

47. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny Armstrong's right to freedom of religion guaranteed by the state and federal constitutions.

SECOND AFFIRMATIVE DEFENSE

(First Amendment - Speech)

48. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny Armstrong right to freedom of speech guaranteed by the state and federal constitutions.

THIRD AFFIRMATIVE DEFENSE

(First Amendment - Association)

49. Further answering said complaint, and as a separate and affirmative defense thereto, this answering defendant alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny Armstrong's right to freedom of association guaranteed by the state and federal constitutions.

FOURTH AFFIRMATIVE DEFENSE

(First Amendment - Press)

50. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny Armstrong's right to freedom of press guaranteed by the state and federal constitutions.

FIFTH AFFIRMATIVE DEFENSE

(Privacy)

51. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny Armstrong's right of privacy guaranteed by the state and federal constitutions.

SIXTH AFFIRMATIVE DEFENSE

(Unclean Hands)

52. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong and/or obtaining the relief requested in this complaint under the doctrine of unclean hands.

SEVENTH AFFIRMATIVE DEFENSE

(Illegality)

53. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong as a result of its acts of illegality in connection with matters which give rise to this case, and upon the ground that the agreement upon which this lawsuit is based in illegal, void and unenforceable.

EIGHTH AFFIRMATIVE DEFENSE

(Estoppel)

54. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is equitably estopped from asserting each and all of the purported causes of action in the complaint by reason of its own acts, omissions and conduct, or that of its agents.

NINTH AFFIRMATIVE DEFENSE

(Waiver)

55. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong by reason of its own acts, omissions and conduct, or that of its agents.

TENTH AFFIRMATIVE DEFENSE

(Fraud And Deceit)

56. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong because of its fraud and deceit in its representations by which it tricked Armstrong into signing the subject "agreement."

ELEVENTH AFFIRMATIVE DEFENSE

(Duress and Undue Influence)

57. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation

contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong because it implemented fair game stratagems on Armstrong, his attorney Michael Flynn, and upon other anti-Scientology litigants and would continue such conduct against all such persons unless all such anti-Scientology litigants, including Mr. Flynn, signed settlement agreement substantially similar to that signed by Armstrong.

TWELFTH AFFIRMATIVE DEFENSE

(Impossibility)

58. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds of impossibility as it relates to the subject settlement contract.

THIRTEENTH AFFIRMATIVE DEFENSE

(Frustration of Contractual Purpose)

59. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against this defendant on the grounds of frustrating Armstrong's ability to perform the terms of the settlement agreement.

FOURTEENTH AFFIRMATIVE DEFENSE

(Unfair and Unreasonable Contract)

60. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against

Armstrong on the grounds that the settlement contract is unreasonable and unfair.

FIFTEENTH AFFIRMATIVE DEFENSE

(Lack of Mutuality)

61. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the settlement contract, as interpreted by plaintiff, lacks in reciprocity and mutuality.

SIXTEENTH AFFIRMATIVE DEFENSE

(Ambiguity)

62. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the settlement contract is ambiguous and incapable of enforcement.

SEVENTEENTH AFFIRMATIVE DEFENSE

(Lack of Adequate Consideration)

63. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the settlement contract is not supported by adequate consideratino.

EIGHTEENTH AFFIRMATIVE DEFENSE

(Unconscionability)

64. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against

Armstrong on the grounds that the settlement contract and plaintiff's manufacturing of the allegations in this complaint are unconscionable.

NINETEENTH AFFIRMATIVE DEFENSE

(Adhesion)

65. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the settlement contract is a contract of adhesion.

TWENTIETH AFFIRMATIVE DEFENSE

(Hardship)

66. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the settlement contract works an unfair hardship on Armstrong.

TWENTY-FIRST AFFIRMATIVE DEFENSE

(Offset)

67. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Any damages that plaintiff has suffered in consequence of the alleged conduct of Armstrong is exceeded by the damages suffered by Armstrong in consequence of the misconduct of plaintiff, and its agents' acts of fair game, and therefore plaintiff should take nothing.

TWENTY-SECOND AFFIRMATIVE DEFENSE

(Liquidated Damages Act As Penalty)

68. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the settlement agreement's provision of liquidated damages is not an approximation of damage, but is intended to act and does act as a penalty.

TWENTY-THIRD AFFIRMATIVE DEFENSE

(Implied Covenant of Good Faith and Fair Dealing)

69. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from bringing this action against Armstrong on the grounds that the conduct of plaintiff and its agents violates the implied covenant of good faith and fair dealing.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

(Justification - Defense of Another, Interests of Third Persons, and the Public)

70. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

At all times relevant, the acts of Armstrong were privileged and justified because they were done in defense of others, the interests of third parties, the interests of justice, and the interests of the public.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

(Failure to Mitigate Damages)

71. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff, and/or its agents, and/or its counsel failed to take proper and reasonable steps to avoid or mitigate the damages alleged in the complaint, and to the extent of such failure to mitigate or to avoid damages allegedly incurred by plaintiff, if any, should be reduced accordingly.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

(Action Barred By Equity and Civil Code Provisions)

72. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from judicial relief by the general principles of equity and the specific provisions of Part IV of the Civil Code, including but not limited to sections 3512, 3517, 3519, 3524 and 3533 (without any admission of wrongdoing by Armstrong).

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

(Void As Against Public Policy)

73. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from judicial relief because the settlement contract is against public policy.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

(The Settlement Agreement Cannot Be Specifically Enforced)

74. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement cannot be specifically enforced.

TWENTY-NINTH AFFIRMATIVE DEFENSE

(The Settlement Agreement Cannot Be Specifically Performed)

75. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement cannot be specifically performed.

THIRTIETH AFFIRMATIVE DEFENSE

(Due Process)

76. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives Armstrong, defendant Gerald Armstrong, other third parties and the public of due process of law as protected by the state constitution and by the Fifth and Fourteenth Amendments to the federal constitution.

THIRTY-FIRST AFFIRMATIVE DEFENSE

(Equal Protection)

77. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives Armstrong, other third parties and the public of equal protection of law as guaranteed by the state constitution and the federal constitution.

THIRTY-SECOND AFFIRMATIVE DEFENSE

(Right To Counsel)

78. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives Armstrong other third parties and members of the public to their right to counsel as protected by the state constitution and by the Sixth Amendment to the federal constitution.

THIRTY-THIRD AFFIRMATIVE DEFENSE

(Public Domain)

79. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the information that Armstrong is accused of disclosing is in the public domain.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

(Mistake of Law)

80. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong because Armstrong's former attorney Michael Flynn advised him that the provisions of the settlement contract which plaintiff alleges Armstrong has violated, and which underlie this complaint, are unenforceable. Armstrong relied on such representations, but for which he would not have signed said settlement contract.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

(Mistake of Law)

81. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong because Armstrong's former attorney Michael Flynn advised him that the provisions of the settlement agreement which plaintiff alleges Armstrong has violated, and which underlie this complaint, are unenforceable. Armstrong relied on such representations, but for which he would not have signed said settlement agreement.

THIRTY-SIXTH AFFIRMATIVE DEFENSE

(Conflict of Interest)

82. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against Armstrong because defendant Armstrong's former attorney Michael Flynn, in conjunction with settling Armstrong's case against Scientology-related entities, also settled 30 other cases, including cases of his own against Scientology-related entities without procuring outside counsel for Armstrong.

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

(Privilege)

83. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Plaintiff is barred from judicial relief because the acts that Armstrong is accused of having committed are privileged.

THIRTY-EIGHTH AFFIRMATIVE DEFENSE

(No Intent To Defraud)

84. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Armstrong never intended to hinder, delay or defraud any creditor, including CSI.

THIRTY-NINTH AFFIRMATIVE DEFENSE

(No Undercapitalized Transaction)

85. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Armstrong never engaged in a business or transaction after the transfer at issue herein with assets that were unreasonably small.

FORTIETH AFFIRMATIVE DEFENSE

(No Intent To Incur Debts Beyond Ability To Pay)

86. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Armstrong never intended to incur, or reasonably should have believed that he would incur debts beyond his ability to pay as they became due.

FORTY-FIRST AFFIRMATIVE DEFENSE

(Lack Of Insolvency)

87. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

Armstrong was not insolvent before or immediately after the transfer at issue herein.

FORTY-FIRST AFFIRMATIVE DEFENSE

(Insufficient Facts)

88. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

The complaint and each and every cause of action contained therein fails to state facts sufficient to constitute a cause of action.

FORTY-SECOND AFFIRMATIVE DEFENSE

(Plaintiff's Fault)

89. Further answering said complaint, and as a separate and affirmative defense thereto, Armstrong alleges as follows:

If any cause of action and/or allegation in the complaint is found to be true and the plaintiff was injured and/or damaged in any manner, this answering defendant alleges that said injuries and/or damages, if any, were and are the proximate and direct result of the recklessness, carelessness, bad faith, negligence, and/or fault of the plaintiff and/or persons other than this answering defendant. In the event that this answering defendant is found to be liable to the plaintiff in some manner, this answering defendant requests that his liability be reduced because of the fault of such other persons, whose conduct contributed to whatever injuries and/or damages plaintiff sustained and requests that any judgment rendered herein in favor of plaintiff and against this answering defendant be in an amount proportionate to this answering defendant's degree of fault.

DEMAND FOR A JURY TRIAL

This defendant hereby demands this case by tried by a jury.

WHEREFORE, Defendant Gerald Armstrong prays for relief as follows:

1. That plaintiff take nothing by its complaint;
2. That Armstrong recover his costs of suit herein;
3. That Armstrong recover his attorney's fees and costs of defending the suit herein;
4. That the Court award such further relief as it may deem proper.

DATED: November 29, 1993 **HUB LAW OFFICES**

By:
FORD GREENE
Attorney for Defendant
GERALD ARMSTRONG

VERIFICATION

I, the undersigned, am the defendant in the above entitled action. I know the contents of the foregoing Answer and I certify that the same is true of my own knowledge, except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct according to the laws of the State of Caifornia and that this declaration was executed on this 30th day of November, 1993, at San Anselmo, California.

By:____________________

PROOF OF SERVICE

I am employed in the County of Marin, State of California. I am over the age of eighteen years and am not a party to the above entitled action. My business address is 711 Sir Francis Drake Boulevard, San Anselmo, California. I served the following documents:

on the following person(s) on the date set forth below, by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California:

Andrew Wilson, Esquire
WILSON, RYAN & CAMPILONGO
235 Montgomery Street, Suite 450
San Francisco, California 94104

Laurie J. Bartilson, Esq.
BOWLES & MOXON
6255 Sunset Boulevard, Suite 2000
Los Angeles, California 90028

MICHAEL WALTON
707 Fawn Drive
San Anselmo, CA 94960

[X]	(By Mail)	I caused such envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California.
[ ]	(Personal)	I caused said papers to be personally service on the office of opposing counsel.
[X]	(State)	I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

DATED: November 30, 1993

A

3133
FILED
NOV 30 1993
HOWARD HANSON
MARIN COUNTY CLERK
BY: E. Keswick, Deputy

Ford Greene
California State Bar No. 107601
HUB LAW OFFICES
711 Sir Francis Drake Boulevard
San Anselmo, California 94960-1949

Attorney for Defendant
GERALD ARMSTRONG

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation,

Plaintiff,

vs.

GERALD ARMSTRONG; MICHAEL WALTON; THE GERALD ARMSTRONG CORPORATION, a California for-profit corporation; DOES 1 through 100, inclusive,

Defendants.

No. **157 680**

VERIFIED ANSWER OF THE GERALD ARMSTRONG CORPORATION

The Gerald Armstrong Corporation, hereinafter "TGAC," hereby submits the following answer to the complaint of plaintiff organization CHURCH OF SCIENTOLOGY INTERNATIONAL, hereinafter "CSI."

1. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987, and is therefore unable to admit or deny the same. TGAC was incorporated in 1987 and activated in 1988. The subject settlement agreement, hereinafter the "agreement" or "contract", was signed in December,

ORIGINAL

1986. With regards to all allegations concerning Gerald Armstrong, hereinafter "GA," which predate TGAC's incorporation, GA will answer himself, and TGAC incorporates his answer by reference herein. TGAC denies that CSI is a church, but is a unit of the Scientology Organization based on a philosophy it calls "fair game," and as such, is a sham. TGAC denies CSI's description of GA. TGAC denies that GA has ever fomented litigation against CSI. TGAC denies that CSI has ever sought to put an end to any enmity or strife generated by anyone, but is a generator of enmity and strife itself.

2. TGAC denies the totality of this paragraph. None of GA's actions in February, 1990 violated directly or indirectly any valid provision of any agreement. TGAC denies that GA feared that plaintiff would seek to collect liquidated damages owed by his breaches. TGAC denies that there were any breaches. TGAC denies that GA fraudulently conveyed any or all of his property, including or not real property located in Marin County or anywhere, cash, and personal property to Michael Walton, TGAC and Does 1 - 100, receiving no consideration in return. TGAC denies that GA fraudulently conveyed anything to anyone at any time. TGAC denies that GA has ever conveyed anything without receiving any consideration in return. TGAC denies that GA deliberately or undeliberately set out to breach the agreement. TGAC denies that GA has incurred a debt totalling $1,800,000. TGAC denies that GA has no assets to use to satisfy such a debt if GA ever did incur it.

3. TGAC denies the totality of this paragraph. There are no breaches by GA and no resulting indebtedness. TGAC denies that

CSI v. Armstrong, LASC No. BC 052395 is the first action. The first action, known as Armstrong I, is CSC v. Armstrong, LASC No. C 420153. TGAC denies that CSI v. Armstrong, LASC No. BC 084642 is the second action. The second action, known as Armstrong II, is CSI v. Armstrong, LASC No. BC 052395. LASC No. BC 084642 is known as Armstrong III. The instant action, Marin SC No. 157680 is known as Armstrong IV. The substance of the Los Angeles actions is the history of Scientology's fair game war on GA, its violations of the agreement and the mores and ethics of decent people, its abuse of process, malicious prosecution and obstruction of justice.

4. TGAC denies the totality of this paragraph. CSI is a component of the Scientology Organization which is totally controlled and directed by its ruler, David Miscavige. TGAC denies that CSI is a church and Scientology is religion.

5. TGAC admits the averments of this paragraph.

6. TGAC admits the averments of this paragraph.

7. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph. TGAC has never used the name "Gerald Armstrong Corporation" nor the initials "GAC."

8. TGAC denies that there are any DOES because there is no truth to CSI's complaint.

9. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph. TGAC has never used the name "Gerald Armstrong Corporation" nor the initials "GAC."

10. TGAC lacks knowledge or information sufficient to form a

belief as to the truth of the averments in this paragraph. TGAC has never used the name "Gerald Armstrong Corporation" nor the initials "GAC."

11. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph. TGAC has never used the name "Gerald Armstrong Corporation" nor the initials "GAC."

12. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph. TGAC has never used the name "Gerald Armstrong Corporation" nor the initials "GAC."

13. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

14. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

15. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same. TGAC denies CSI's description of GA.

16. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

17. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

18. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

19. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

20. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same.

21. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph which concern events which took place before 1987 and is therefore unable to admit or deny the same. TGAC denies that CSI performed all of its obligations pursuant to the agreement.

22. TGAC denies each and every averment of this paragraph.

23. TGAC denies each and every averment of this paragraph.

24. TGAC denies each and every averment of this paragraph.

25. TGAC denies each and every averment of this paragraph.

26. TGAC admits that CSI realleges its paragraphs 1 - 25, and TGAC readmits and redenies the averments of these paragraphs as set forth in TGAC's answers 1 - 25, inclusive, above.

27. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph.

28. TGAC lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph.

29. TGAC denies the totality of this paragraph.

30. TGAC denies the totality of this paragraph.

31. TGAC denies the totality of this paragraph.

32. TGAC denies the totality of this paragraph.

33. TGAC admits that CSI realleges its paragraphs 1 - 25, and TGAC readmits and redenies the averments of each of these paragraphs as set forth in TGAC's answers 1 - 25, inclusive, above.

34. TGAC admits the averments of this paragraph.

35. TGAC admits the averments of this paragraph.

36. TGAC denies the totality of this paragraph.

37. TGAC denies the totality of this paragraph.

38. TGAC denies the totality of this paragraph.

39. TGAC denies the totality of this paragraph, except that Michael Walton had advised GA that CSI was liable to him for liquidated damages for its breaches of the settlement agreement.

40. TGAC admits that CSI realleges its paragraphs 1 - 32 and 34 - 39, and TGAC readmits and redenies the averments of each of these paragraphs as set forth in TGAC's answers 1 - 32 and 34 - 39, inclusive, above.

41. TGAC denies the totality of this paragraph.

42. TGAC denies the totality of this paragraph.

43. TGAC denies the totality of this paragraph.

44. TGAC denies the totality of this paragraph.

45. TGAC denies the totality of this paragraph.

AFFIRMATIVE DEFENSES

Allegation Common To All Affirmative Defenses

46. Plaintiff is a single component of the Scientology organization, that, along with all of the Scientology-related beneficiaries of the 1986 settlement involving defendant Gerald Armstrong are subject to a unity of control exercised by David Miscavige. Plaintiff and all other Scientology-related organizations, entities and individuals were created by David Miscavige and his attorneys as an attempt to avoid payment of civil judgments and to confuse courts and those seeking redress for the civil and criminal misconduct of Miscavige and all other Scientology-related organizations, entities and individuals. Due to the unity of personnel, commingling of assets, and commonality of business objectives, any effort by plaintiff to represent itself as being independent and separate should be disregarded.

FIRST AFFIRMATIVE DEFENSE

(First Amendment - Religion)

47. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny TGAC's right to freedom of religion guaranteed by the state and federal constitutions.

SECOND AFFIRMATIVE DEFENSE

(First Amendment - Speech)

48. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny TGAC right to freedom of speech guaranteed by the state and federal constitutions.

THIRD AFFIRMATIVE DEFENSE

(First Amendment - Association)

49. Further answering said complaint, and as a separate and affirmative defense thereto, this answering defendant alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny TGAC's right to freedom of association guaranteed by the state and federal constitutions.

FOURTH AFFIRMATIVE DEFENSE

(First Amendment - Press)

50. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny TGAC's right to freedom of press guaranteed by the state and federal constitutions.

FIFTH AFFIRMATIVE DEFENSE

(Privacy)

51. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the complaint and the "agreement" on which it is based seek to attack, limit and deny TGAC's right of privacy guaranteed by the state and federal constitutions.

SIXTH AFFIRMATIVE DEFENSE

(Unclean Hands)

52. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC and/or obtaining the relief requested in this complaint under the doctrine of unclean hands.

SEVENTH AFFIRMATIVE DEFENSE

(Illegality)

53. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC as a result of its acts of illegality in connection with matters which give rise to this case, and upon the ground that the agreement upon which this lawsuit is based in illegal, void and unenforceable.

EIGHTH AFFIRMATIVE DEFENSE

(Estoppel)

54. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation

contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is equitably estopped from asserting each and all of the purported causes of action in the complaint by reason of its own acts, omissions and conduct, or that of its agents.

NINTH AFFIRMATIVE DEFENSE

(Waiver)

55. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC by reason of its own acts, omissions and conduct, or that of its agents.

TENTH AFFIRMATIVE DEFENSE

(Fraud And Deceit)

56. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC because of its fraud and deceit in its representations by which it tricked defendant Gerald Armstrong into signing the subject "agreement."

ELEVENTH AFFIRMATIVE DEFENSE

(Duress and Undue Influence)

57. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC because it implemented fair game stratagems on defendant Gerald Armstrong, his attorney Michael Flynn, and upon other anti-Scientology litigants and would continue such conduct against all such persons unless all such anti-Scientology litigants, including Mr. Flynn, signed settlement agreement substantially similar to that signed by defendant Armstrong.

TWELFTH AFFIRMATIVE DEFENSE

(Impossibility)

58. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds of impossibility as it relates to the subject settlement contract.

THIRTEENTH AFFIRMATIVE DEFENSE

(Frustration of Contractual Purpose)

59. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against this defendant on the grounds of frustrating defendant Gerald Armstrong's ability to perform the terms of the settlement agreement.

FOURTEENTH AFFIRMATIVE DEFENSE

(Unfair and Unreasonable Contract)

60. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract is unreasonable and unfair.

FIFTEENTH AFFIRMATIVE DEFENSE

(Lack of Mutuality)

61. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract, as interpreted by plaintiff, lacks in reciprocity and mutuality.

SIXTEENTH AFFIRMATIVE DEFENSE

(Ambiguity)

62. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract is ambiguous and incapable of enforcement.

SEVENTEENTH AFFIRMATIVE DEFENSE

(Lack of Adequate Consideration)

63. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract is not supported by adequate consideration.

EIGHTEENTH AFFIRMATIVE DEFENSE

(Unconscionability)

64. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract and plaintiff's manufacturing of the allegations in this complaint are unconscionable.

NINETEENTH AFFIRMATIVE DEFENSE

(Adhesion)

65. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract is a contract of adhesion.

TWENTIETH AFFIRMATIVE DEFENSE

(Hardship)

66. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement contract works an unfair hardship on defendant Gerald Armstrong.

TWENTY-FIRST AFFIRMATIVE DEFENSE

(Offset)

67. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Any damages that plaintiff has suffered in consequence of the alleged conduct of TGAC is exceeded by the damages suffered by TGAC in consequence of the misconduct of plaintiff, and its agents' acts of fair game, and therefore plaintiff should take nothing.

TWENTY-SECOND AFFIRMATIVE DEFENSE

(Liquidated Damages Act As Penalty)

68. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the settlement agreement's provision of liquidated damages is not an approximation of damage, but is intended to act and does act as a penalty.

TWENTY-THIRD AFFIRMATIVE DEFENSE

(Implied Covenant of Good Faith and Fair Dealing)

69. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from bringing this action against TGAC on the grounds that the conduct of plaintiff and its agents violates the implied covenant of good faith and fair dealing.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

(Justification - Defense of Another, Interests of Third Persons, and the Public)

70. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

At all times relevant, the acts of TGAC were privileged and justified because they were done in defense of others, the interests of third parties, the interests of justice, and the interests of the public.

TWENTY-FIFTH AFFIRMATIVE DEFENSE

(Failure to Mitigate Damages)

71. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff, and/or its agents, and/or its counsel failed to take proper and reasonable steps to avoid or mitigate the damages alleged in the complaint, and to the extent of such failure to mitigate or to avoid damages allegedly incurred by plaintiff, if any, should be reduced accordingly.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

(Action Barred By Equity and Civil Code Provisions)

72. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from judicial relief by the general principles of equity and the specific provisions of Part IV of the Civil Code, including but not limited to sections 3512, 3517, 3519, 3524 and 3533 (without any admission of wrongdoing by TGAC).

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

(Void As Against Public Policy)

73. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from judicial relief because the settlement contract is against public policy.

TWENTY-EIGHTH AFFIRMATIVE DEFENSE

(The Settlement Agreement Cannot Be Specifically Enforced)

74. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement cannot be specifically enforced.

TWENTY-NINTH AFFIRMATIVE DEFENSE

(The Settlement Agreement Cannot Be Specifically Performed)

75. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement cannot be specifically performed.

THIRTIETH AFFIRMATIVE DEFENSE

(Due Process)

76. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives TGAC, defendant Gerald Armstrong, other third parties and the public of due process of law as protected by the state constitution and by the Fifth and Fourteenth Amendments to the federal constitution.

THIRTY-FIRST AFFIRMATIVE DEFENSE

(Equal Protection)

77. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives TGAC, defendant Gerald Armstrong, other third parties and the public of equal protection of law as guaranteed by the state constitution and the federal constitution.

THIRTY-SECOND AFFIRMATIVE DEFENSE

(Right To Counsel)

78. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives TGAC, defendant Gerald Armstrong, other third parties and members of the public to their right to counsel as protected by the state constitution and by the Sixth Amendment to the federal constitution.

THIRTY-THIRD AFFIRMATIVE DEFENSE

(Public Domain)

79. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the information that defendant Armstrong is accused of disclosing is in the public domain.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

(Mistake of Law)

80. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC because defendant Gerald Armstrong's former attorney Michael Flynn advised him that the provisions of the settlement contract which plaintiff alleges defendant Gerald Armstrong has violated, and which underlie this complaint, are unenforceable. Gerald Armstrong relied on such representations, but for which he would not have signed said settlement contract.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

(Mistake of Law)

81. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC because defendant Gerald Armstrong's former attorney Michael Flynn advised him that the provisions of the settlement agreement which plaintiff alleges defendant Gerald Armstrong has violated, and which underlie this complaint, are unenforceable. Gerald Armstrong relied on such representations, but for which he would not have signed said settlement agreement.

THIRTY-SIXTH AFFIRMATIVE DEFENSE

(Conflict of Interest)

82. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC repeats, realleges and incorporates by reference herein each and every allegation contained in paragraphs 1 through 45 herein and alleges as follows:

Plaintiff is barred from bringing this action against TGAC because defendant Gerald Armstrong's former attorney Michael

Flynn, in conjunction with settling Gerald Armstrong's case against Scientology-related entities, also settled 30 other cases, including cases of his own against Scientology-related entities without procuring outside counsel for defendant Gerald Armstrong.

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

(Privilege)

83. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

Plaintiff is barred from judicial relief because the acts that TGAC is accused of having committed are privileged.

THIRTY-EIGHTH AFFIRMATIVE DEFENSE

(No Intent To Defraud)

84. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

TGAC never intended to hinder, delay or defraud any creditor, including CSI.

THIRTY-NINTH AFFIRMATIVE DEFENSE

(No Undercapitalized Transaction)

85. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

TGAC never engaged in a business or transaction after the transfer at issue herein with assets that were unreasonably small.

FORTIETH AFFIRMATIVE DEFENSE

(No Intent To Incur Debts Beyond Ability To Pay)

86. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

TGAC never intended to incur, or reasonably should have believed that it would incur debts beyond its ability to pay as they became due.

FORTY-FIRST AFFIRMATIVE DEFENSE

(Lack Of Insolvency)

87. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

TGAC was not insolvent before or immediately after the transfer at issue herein.

FORTY-FIRST AFFIRMATIVE DEFENSE

(Insufficient Facts)

88. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

The complaint and each and every cause of action contained therein fails to state facts sufficient to constitute a cause of action.

FORTY-SECOND AFFIRMATIVE DEFENSE

(Plaintiff's Fault)

89. Further answering said complaint, and as a separate and affirmative defense thereto, TGAC alleges as follows:

If any cause of action and/or allegation in the complaint is found to be true and the plaintiff was injured and/or damaged in any manner, this answering defendant alleges that said injuries and/or damages, if any, were and are the proximate and direct result of the recklessness, carelessness, bad faith, negligence, and/or fault of the plaintiff and/or persons other than this answering defendant. In the event that this answering defendant is found to be liable to the plaintiff in some manner, this answering defendant requests that his liability be reduced because of the fault of such other persons, whose conduct contributed to whatever injuries and/or damages plaintiff sustained and requests that any judgment rendered herein in favor of plaintiff and against this answering defendant be in an amount proportionate to this answering defendant's degree of fault.

DEMAND FOR A JURY TRIAL

This defendant hereby demands this case by tried by a jury.

WHEREFORE, Defendant The Gerald Armstrong Corporation prays for relief as follows:

1. That plaintiff take nothing by its complaint;
2. That TGAC recover its costs of suit herein;
3. That TGAC recover its attorney's fees and costs of defending the suit herein;
4. That the Court award such further relief as it may deem proper.

DATED: November 29, 1993

HUB LAW OFFICES

By: ____________________
FORD GREENE
Attorney for Defendant
THE GERALD ARMSTRONG
CORPORATION

PROOF OF SERVICE

I am employed in the County of Marin, State of California. I am over the age of eighteen years and am not a party to the above entitled action. My business address is 711 Sir Francis Drake Boulevard, San Anselmo, California. I served the following documents:

on the following person(s) on the date set forth below, by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California:

Andrew Wilson, Esquire
WILSON, RYAN & CAMPILONGO
235 Montgomery Street, Suite 450
San Francisco, California 94104

Laurie J. Bartilson, Esq.
BOWLES & MOXON
6255 Sunset Boulevard, Suite 2000
Los Angeles, California 90028

MICHAEL WALTON
707 Fawn Drive
San Anselmo, CA 94960

[X]	(By Mail)	I caused such envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California.
[ ]	(Personal)	I caused said papers to be personally service on the office of opposing counsel.
[X]	(State)	I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

DATED: November 30, 1993

VERIFICATION

I, the undersigned, am an officer of The Gerald Armstrong Corporation, defendant in the above entitled action. I know the contents of the foregoing Answer and I certify that the same is true of my own knowledge, except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct according to the laws of the United States of America and that this declaration was executed on this 30th day of November, 1993, at San Anselmo, California.

By:

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FILED
SEP 07 1994
HOWARD HANSON
MARIN COUNTY CLERK
BY: E. Keswick, Deputy

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Cross-Defendant CHURCH OF SCIENTOLOGY
INTERNATIONAL

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Attorneys for Defendants
GERALD ARMSTRONG and
GERALD ARMSTRONG CORPORATION

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation, Plaintiffs, vs. GERALD ARMSTRONG, MICHAEL WALTON, et al., Defendants.	CASE NO. 157 680 JOINT APPLICATION FOR CONSOLIDATION DATE: September 7, 1994 TIME: 9:30 a.m. DEPT: 1
GERALD ARMSTRONG, Cross-Complainant, vs. CHURCH OF SCIENTOLOGY INTERNATIONAL, a California	TRIAL DATE: Sept. 29, 1994

Corporation, DAVID MISCAVIGE,)
DOES 1 to 100,)
Cross-Defendant.)
)
)

Plaintiff, Church of Scientology International and Defendants, Gerald Armstrong and Gerald Armstrong Corporation, hereby jointly move the Court, pursuant to Code of Civil Procedure Section 1048, for an order consolidating Church of Scientology International v. Gerald Armstrong, bearing LASC Number BC 052395, which has been ordered transferred to Marin County Superior Court [Ex. A.] (hereinafter, "the Breach case"), with this action for all purposes. The grounds for issuance of this order are:

1. Once the transfer is complete, both actions will be pending before this Court;

2. Both actions involve common questions of law and fact. The parties in the Breach case are all parties to this action. The Breach case alleges claims against Armstrong and the Gerald Armstrong Corporation for breach of contract, seeking liquidated and compensatory damages, and a permanent injunction. The case presently before this Court seeks to invalidate transfers of assets made by Armstrong to Michael Walton, the Gerald Armstrong Corporation and others just prior to his long series of contract breaches. In both cases, Armstrong alleges in defense that he should not be held liable for breach of the contract because the contract is not enforceable. Because of these interlocking issues, the Los Angeles Court transferred the Breach case back to Marin County; and

3. Consolidation will avoid unnecessary cost and delay.

4. Michael Walton, appearing in propria persona, was notified of this application at 11:50 a.m. on September 6, 1994.

This motion is based on this Notice, the accompanying Memorandum of Points and Authorities, the Stipulation and Order of Transfer, the records and other documents on file in this action, and on all other matters that may be adduced at the hearing of this Motion.

Dated: September 7, 1994

Respectfully submitted,

WILSON, RYAN, & CAMPILONGO

BY: ______________________
Andrew H. Wilson

Laurie J. Bartilson
BOWLES & MOXON

Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY
INTERNATIONAL

____
Ford Greene

Attorneys for Defendants
GERALD ARMSTRONG and GERALD
ARMSTRONG CORPORATION

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Attorneys for Defendants GERALD ARMSTRONG
and GERALD ARMSTRONG CORPORATION

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation, Plaintiffs, vs. GERALD ARMSTRONG, MICHAEL WALTON, et al., Defendants.	CASE NO. 157 680 MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF JOINT APPLICATION FOR CONSOLIDATION
GERALD ARMSTRONG, Cross-Complainant, vs. CHURCH OF SCIENTOLOGY INTERNATIONAL, a California Corporation, DAVID MISCAVIGE, DOES 1 to 100, Cross-Defendant.	DATE: September 7, 1994 TIME: 9:30 a.m. DEPT: 1 TRIAL DATE: Sept. 29, 1994

INTRODUCTION

This case, which is presently set for trial on September 29, 1994, is a corollary collection action to a breach of contract action brought by plaintiff Church of Scientology International ("the Church"). The breach of contract action was filed in Marin County on February 4, 1992. It was transferred to Los Angeles County on March 24, 1992. On May 28, 1992, the Los Angeles Superior Court entered a preliminary injunction prohibiting Armstrong from committing certain acts in violation of the Agreement. From March 23, 1993 until June 7, 1994, while Armstrong appealed the injunction, the breach of contract case was stayed. The injunction was upheld by the Court of Appeal on May 16, 1994.

This fraudulent conveyance case was filed on July 23, 1993, after plaintiff learned during discovery that the defendant had transferred all of his assets, including real property located in Marin County, shortly before he began to repeatedly breach the Agreement.

On September 1, 1994, the Los Angeles Superior Court entered an order transferring the case back to Marin Superior Court, so that the two actions could be consolidated and tried together. [Ex. A.] The parties, recognizing that the cases involve many common questions of law and fact, now move to consolidate them for all purposes before this Court. Because discovery in still not completed in the Breach case (which was not due to be tried in Los Angeles until November 7, 1994), the parties also seek a new trial date for the larger, consolidated action.

///

CONSOLIDATION OF THE TWO CASES WOULD AVOID UNNECESSARY COSTS AND DELAY

Code of Civil Procedure Section 1048(a) provides that:

> When actions involving a common question of law or fact are pending before the court, it may order a joint hearing or trial of any or all the matters in issue in the actions; it may order all the actions consolidated and it may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

In this case, the instant action cannot logically be tried independently of the first action, Church of Scientology International v. Armstrong, LASC No. BC 052395, Marin Number not yet assigned ("the Breach case"). The Breach case alleges claims against Armstrong and the Gerald Armstrong Corporation for breach of contract, seeking liquidated and compensatory damages, and a permanent injunction. This case seeks to invalidate transfers of assets made by Armstrong to Michael Walton, the Gerald Armstrong Corporation and others just prior to his long series of contract breaches. In both actions, Armstrong admits that he breached the Agreement, but claims that the Agreement violates public policy and should not be enforced.

Recognizing that the cases presented many of the same issues, the parties stipulated to transfer the Breach case to Marin County so that they could be tried together. [Ex. B.] Because the instant case deals with right and title to real property located in Marin County, the cases could only be tried together in Marin.

A single trial for both cases will ensure that the issues concerning the contract's validity are only briefed once, and that proof of the breaches of the contract need only be made once.

Discovery is incomplete in the Breach case. The Church was given permission to amend its complaint in that case to include later breaches of the Agreement on March 14, 1994. Because proceedings in the case were stayed, however, discovery concerning these new matters was not re-commenced until June, 1994. Discovery is thus still ongoing in that case, and the parties jointly request that a date be set for the trial of these consolidated trials which will (1) enable the transfer of the file from Los Angeles to Marin to be completed and (2) enable them to complete discovery in the transferred action.

CONCLUSION

The parties jointly request that this Court consolidate the two actions between them for all purposes, vacate the trial date presently set in this case, and reset the trial of these consolidated actions.

Dated: September 7, 1994

Respectfully submitted,

WILSON, RYAN, & CAMPILONGO

BY: ______________________
Andrew H. Wilson

Laurie J. Bartilson
BOWLES & MOXON

Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY
INTERNATIONAL

____
Ford Greene

Attorneys for Defendants
GERALD ARMSTRONG and GERALD
ARMSTRONG CORPORATION

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LOS ANGELES SUPERIOR COURT

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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF LOS ANGELES

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation,

Plaintiffs,

vs.

GERALD ARMSTRONG; THE GERALD ARMSTRONG CORPORATION, a California corporation; Does 1 - 25 INCLUSIVE,

Defendants.

AND RELATED CROSS-COMPLAINT.

CASE NO. BC 052395

STIPULATION AND ORDER CHANGING VENUE

[C.C.P. §397(c)]

Hearing:
DATE:
TIME: 8:30 A.M.
DEPT: 30

TRIAL DATE: Nov. 7, 1994
DISC. CUTOFF: Oct. 7, 1994
MTN CUTOFF: Oct. 21, 1994

The parties agree that (1) the place of trial of this action be changed to the Superior Court of Marin County for the purpose of consolidation with the pending case of Church of Scientology International v. Gerald Armstrong, et al., Marin County Superior Court Case No. 157680; (2) payment of costs and fees of the transfer be made by plaintiff Church of Scientology International; (3) all orders previously entered in this action shall remain in full force and effect before, during and after the transfer and the Superior Court of Marin County shall be the proper Court for enforcement of those orders; and (4) discovery in the case shall continue while the transfer is pending.

Dated: August 18, 1994

Laurie J. Bartilson
Attorney for Plaintiff
Church of Scientology
International

Dated: August 18, 1994

Ford Greene
Attorney for Defendants
Gerald Armstrong and the
Gerald Armstrong
Corporation

ORDER

The parties having agreed, and good cause appearing,

IT IS ORDERED THAT:

1. Church of Scientology International v. Gerald Armstrong, et al., Case No. BC 052395, be transferred to the Superior Court of Marin County on payment by plaintiff, Church of Scientology International, of all fees required by law.

2. The court clerk transmit a certified copy of this order and all the pleadings and papers filed in this action to the clerk of the Superior Court of Marin County forthwith.

3. All orders previously entered in this action shall remain in full force and effect before, during and after the transfer and the Superior Court of Marin County shall be the proper Court for enforcement of those orders; and

4. Discovery in the case shall continue while the transfer is pending.

Date: SEP - 1 1994

David A. Horowitz
Superior Court Judge

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MARIN COUNTY CLERK
BY: E. Keswick Deputy

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GERALD ARMSTRONG CORPORATION

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation,

Plaintiffs,

vs.

GERALD ARMSTRONG, MICHAEL WALTON, et al.,

Defendants.

GERALD ARMSTRONG,

Cross-Complainant,

vs.

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California

CASE NO. 157 680

ORDER Re: JOINT APPLICATION FOR CONSOLIDATION

DATE: September 7, 1994
TIME: 9:30 a.m.
DEPT: 1

TRIAL DATE:

9

Corporation, DAVID MISCAVIGE,)
DOES 1 to 100,)
Cross-Defendant.)
)
)

IT IS HEREBY ORDERED that Plaintiff Church of Scientology International's and Defendant Gerald Armstrong's Joint Application for Consolidation is set for hearing on Sept 23, 1994 at 9 a.m.

DATED: September 7, 1994

Gary W. Thomas
Hon. Gary W. Thomas

Moving papers to be filed September 12
Opposition by September 16; reply
by September 20.

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FILED
SEP 12 1994
HOWARD HANSON
MARIN COUNTY CLERK
C HARDING DEP

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Attorneys for Plaintiff and
Cross-Defendant CHURCH OF SCIENTOLOGY
INTERNATIONAL

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation;

Plaintiffs,

vs.

GERALD ARMSTRONG; MICHAEL WALTON; et al.,

Defendants.

AND RELATED CROSS-ACTIONS

CASE NO. 157 680

ORDER SHORTENING TIME FOR BRIEFING SCHEDULE AND HEARING DATE OF MOTION FOR CONSOLIDATION AND CONTINUANCE OF TRIAL DATE

Date: Sept. 12, 1994
Time: 9:30 a.m.
Dept: 1

Trial Date:
September 29, 1994

Upon application of Plaintiff Church of Scientology International for an order shortening time for briefing and the hearing of joint motion for consolidation and continuance of trial date,

IT IS HEREBY ORDERED that based upon the notion of serving the interests of judicial economy and justice, the Order Re: Joint

Application For Consolidation signed and filed on September 7, 1994 shall be revised as follows:

September 14	Opposition papers served and filed
September 16	Hearing Date

The Joint Motion for Consolidation and Continuance of Trial Date was filed, and served on Defendant Michael Walton on September 9, 1994. Plaintiff has waived its right to file a Reply brief.

Dated: Sept 12, 1994

Gary W Thomas
Judge of the Superior Court

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FILED

SEP 13 1994

HOWARD HANSON
MARIN COUNTY CLERK
by P. Fan, Deputy

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Attorneys for Plaintiff and Cross-Defendant
CHURCH OF SCIENTOLOGY INTERNATIONAL

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation; Plaintiff, vs. GERALD ARMSTRONG; MICHAEL WALTON; et al., Defendants.	Case No. 157 680 **AMENDMENT SUBSTITUTING TRUE NAME FOR FICTITIOUS NAME** [CCP §474]
AND RELATED CROSS-ACTIONS	

Plaintiff CHURCH OF SCIENTOLOGY INTERNATIONAL has learned the true name of the Defendant designated in the complaint as Doe 2, and substitutes the true name, Solina Behbehani-Walton, for the fictitious name wherever it appears in the complaint.

Dated: September 13, 1994

WILSON, RYAN & CAMPILONGO

ANDREW H. WILSON
Attorneys for Plaintiffs

CC: Entry

PROOF OF SERVICE

I declare that I am employed in the City and County of San Francisco, California.

I am over the age of eighteen years and not a party to the within entitled action. My business address is 235 Montgomery Street, Suite 450, San Francisco, California.

I am readily familiar with Wilson, Ryan & Campilongo's practice for collection and processing of correspondence for mailing with the United States Postal Service.

On September 13, 1994, I served the attached **AMENDMENT SUBSTITUTING TRUE NAME FOR FICTITIOUS NAME**, on the following in said cause, by placing for deposit with the United States Postal Service on this day in the ordinary course of business, true copies thereof enclosed in sealed envelopes. The envelopes were addressed as follows:

Ford Greene, Esq.
711 Sir Francis Drake Boulevard
San Anselmo, California 94979

Michael Walton
707 Fawn Drive
San Anselmo, California 94960

I declare under the penalty of perjury under the laws of the State of California that the foregoing is true and correct. Executed at San Francisco, California on September 13, 1994.

Yative A. Plummer
YATIVE A. PLUMMER

1Andrew H. Wilson, SBN 063209
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Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY INTERNATIONAL

FILED
NOV 16 1994
HOWARD HANSON
MARIN COUNTY CLERK
by M. Louten, Deputy
M Louten

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation, Plaintiff, vs. GERALD ARMSTRONG; DOES 1 through 25, inclusive, Defendants.	CONSOLIDATED CASE NO. 157 680 PLAINTIFF'S NOTICE OF MOTION AND MOTION FOR SUMMARY ADJUDICATION OF THE FOURTH, SIXTH AND ELEVENTH CAUSES OF ACTION OF PLAINTIFF'S SECOND AMENDED COMPLAINT DATE: December 23, 1994 TIME: 9:00 a.m. CALENDAR: Law & Motion DEPT: 1
AND RELATED CROSS-ACTIONS AND CONSOLIDATED ACTION	TRIAL DATE: May 18, 1995

PLEASE TAKE NOTICE that on December 23, 1994, at 9:00 a.m., or as soon thereafter as may be heard in Department 1 of the above-entitled Court located at the Hall of Justice, 3501 Civic Center Dr., San Rafael, California 94908-4177, plaintiff Church of Scientology International ("the Church") will move this Court to issue an order granting summary adjudication of plaintiff's Fourth, Sixth and Eleventh Causes of Action (for breach of contract resulting in liquidated damages) in favor of the Church, pursuant to California Code of Civil Procedure Section 437c. This Motion is made on the grounds that there is no triable issue of any material fact relevant to plaintiff's enumerated claims for breach of contract, and that the Church is entitled to judgment on those causes of action as a matter of law.

This Motion is based on this Notice of Motion and Motion, the pleadings, records and files herein, the accompanying Memorandum of Points and Authorities, the declarations and exhibits filed herewith, the accompanying Separate Statement of Undisputed Material Facts, and such other evidence as may be adduced properly at the hearing of this Motion.

Dated: November 16, 1994

Respectfully submitted,

Laurie J. Bartilson
BOWLES & MOXON

WILSON, RYAN & CAMPILONGO

By: ______________________
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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation, Plaintiff, vs. GERALD ARMSTRONG; DOES 1 through 25, inclusive, Defendants.	CONSOLIDATED CASE NO. 157 680 PLAINTIFF'S MEMORANDUM OF POINTS AND AUTHORITIES IN SUPPORT OF MOTION FOR SUMMARY ADJUDICATION OF THE FOURTH, SIXTH AND ELEVENTH CAUSES OF ACTION OF PLAINTIFF'S SECOND AMENDED COMPLAINT DATE: December 23, 1994 TIME: 9:00 a.m. CALENDAR: Law & Motion DEPT: 1 TRIAL DATE: May 18, 1995
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MEMORANDUM OF POINTS AND AUTHORITIES

I. PRELIMINARY STATEMENT

In December, 1986, plaintiff Church of Scientology International ("the Church" or "plaintiff") sought to end a long period of litigation with former Church member Gerald Armstrong ("Armstrong" or "defendant"). Armstrong's lengthy campaign was ended, or so plaintiff thought, when he entered into a confidential Settlement Agreement (the "Agreement") with plaintiff in 1986. [Sep.St. 1.][1] The terms of the Agreement required Armstrong not merely to end his own litigation against plaintiff, but among other things, also required Armstrong to refrain from aiding others in litigation, to return to the Church the documents which he had stolen and all copies of them, to refrain from discussing with third parties his experiences with the Scientology religion, and to keep confidential all terms of the Agreement itself. In exchange for his promises, Armstrong received $800,000 from the Church. [Sep.St.No. 7-8.]

The Agreement was signed by Armstrong, on videotape, after he consulted with at least three separate attorneys. [Sep.St.No. 5.] At the time, Armstrong stated to the Church's attorney before a video camera and live witnesses, that he fully understood the Agreement, and that he was signing it of his own free will. [Sep.St.No. 6.]

The Church has fully performed all of its obligations pursuant to the Agreement. [Sep.St.Nos. 9-10.] The facts are undisputed, however, that Armstrong has breached the Agreement repeatedly, as set forth in detail in the Second Amended Complaint. Many of those breaches involved disclosures by Armstrong about his alleged experiences in and with Scientology, which paragraph 7(D) of the Agreement provides entitles CSI to liquidated damages. With this motion, CSI seeks summary adjudication that it is entitled to the payment by Armstrong of liquidated damages in the aggregate amount of $150,000, for three of the admitted breaches of the Agreement which are undisputed:

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[1] All references to evidence are to the Separate Statement of Undisputed Facts, concurrently filed, which provides, by number, a full reference to the evidence in support of this motion. References will be made to "Sep.St.No. __" for "Separate Statement of Undisputed Facts, Fact Number __."

- In August, 1991, Armstrong provided a declaration to litigants suing the Church which purports to describe his experiences with the Church of Scientology [Second Amended Complaint ("Am.Cmplt."), Fourth Cause of Action];[2]

- In May, 1992, Armstrong provided a declaration to still more anti-Church litigants which claimed to authenticate an earlier affidavit, prepared by Armstrong, which described Armstrong's alleged experiences with the Church of Scientology [Am.Cmplt., Eleventh Cause of Action]; and

- In March, 1992, Armstrong provided interviews to various media, including, inter alia, Cable News Network (CNN) and The American Lawyer, in which he discussed, inter alia, his experiences with the Church of Scientology [Am.Cmplt., Sixth Cause of Action].

---

[2] The operative complaint herein is the Second Amended Complaint, which consolidated two separate complaints by order of the Court and was filed and served on April 5, 1994. [Request for Judicial Notice, Ex. F.] Armstrong has never answered this complaint, and is in clerk's default. [Request for Judicial Notice, Ex. G.]

Armstrong does not contest the facts which comprise these breaches; indeed, he has admitted that he did each of the actions which plaintiff alleges. Nor does he contest that the actions are breaches of the written agreement. Throughout this litigation, Armstrong has argued solely that, although he received full and substantial consideration from the Church, he should be excused from his performance of the contract.

Armstrong's central argument has been that, in his view, the contract violated "public policy" because it interfered with his First Amendment rights, and because his lawyer had improperly pressured him to sign the Agreement. Armstrong has listed a large panoply of "affirmative defenses," all of which were argued extensively both to Judge Sohigian and on appeal. After discarding Armstrong's First Amendment argument, noting that "[a]lthough Armstrong's 'freedom of speech is affected, it is clear that a party may voluntarily by contract agree to limit his freedom of speech," the court of appeal "decline[d] any extended discussion" of Armstrong's remaining "shotgun-style" arguments, and found that he was incapable of bearing his burden of demonstrating why the agreement should not be enforced. [Sep.St.No. 11, 12, 13, 14.]

Armstrong raised these arguments early in the litigation, when the Church sought a preliminary injunction, arguing unsuccessfully to both the trial court and the court of appeal that his list of accusatory affirmative defenses should negate his contractual obligations. Just as the court of appeal rejected Armstrong's lengthy list of complaints about the contract, finding that the Church could, indeed, enforce the

Agreement by means of preliminary injunction, so must this Court reject those same tired arguments when they are offered as excuses for Armstrong's repeated and deliberate breaches of the agreement.

With no facts in dispute, interpretation of the meaning and effect of the contractual provisions which provide the Church with a remedy for these breaches is a matter of law for the Court, and the Fourth, Sixth and Eleventh Causes of Action may be adjudicated in the Church's favor on a motion for summary adjudication.

II. STATEMENT OF FACTS

A. The Settlement Agreement

In December, 1986, the Church entered into the Agreement with Armstrong. The Agreement provided for a mutual release and waiver of all claims arising out of a cross-complaint which defendant Armstrong had filed in Church of Scientology of California v. Gerald Armstrong, Los Angeles Superior Court No. C420153.[3] The Agreement contains various provisions designed to guarantee that new actions were not spawned or encouraged by the conclusion of the old one. In particular, with respect to the causes of action at issue in this motion, paragraph 7(D) provides that Armstrong: (1) would not create or publish, or assist another in creating or publishing, any media publication or broadcast, concerning information about the Church of

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[3] The signatories to the Agreement were Gerald Armstrong and the Church of Scientology International, by its President, Heber Jentzsch. [Sep.St.Nos. 1, 2.] Mr. Armstrong's signature was witnessed by JoAnn Richardson and Michael Sutter, and the Agreement was signed with approval as to form and content by Mr. Armstrong's attorney, Michael Flynn. [Sep.St.Nos. 3, 4.]

Scientology, L. Ron Hubbard, or any other persons or entities released by the Agreement; (2) would maintain "strict confidentiality and silence" with respect to his alleged experiences with the Church or any knowledge he might have concerning the Church, L. Ron Hubbard, or other Scientology-related entities and individuals; (3) would not disclose any documents which related to the Church or other identified entities and individuals; and (4) would pay to the Church $50,000 in liquidated damages for each disclosure or other breach of that paragraph.[4] Other paragraphs in the Agreement restricted

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[4] Paragraph 7(D) provides, in relevant part: "Plaintiff [Armstrong] agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 above. **[Armstrong] further agrees that he will maintain strict confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above.** [Armstrong] expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above... [Armstrong] agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of $50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein is an estimate of the damages each
(continued...)

Armstrong's ability to provide voluntary aid or advice to others litigating against the Church.[5]

The Church had good reason for negotiating these particular clauses with Armstrong. In addition to his own litigation, Armstrong fomented significant additional litigation against the Church and other Churches of Scientology, stirring up enmities of other former members. Moreover, Armstrong became involved in plot after clandestine plot to take over or even destroy his former religion. [Am.Compl., ¶ 3.]

Armstrong received substantial consideration from the Church pursuant to the settlement agreement. Indeed, he boasted to the media that he received $800,000, a figure which is uncontested. [Sep.St.No. 7, 8.]

B. Armstrong's Willing Participation in the Settlement Process

At the time of the settlement, the Church had little reason to trust Armstrong. Consequently, Church counsel insisted that Armstrong execute the Agreement on videotape, before several witnesses and a notary public, with his own lawyer present, in order to ensure that Armstrong would not later attempt to invalidate the Agreement through the subterfuge of claims of duress or the like. During the videotaping, a jovial and relaxed Armstrong joked with his counsel, and, in a light-hearted mood, signed the Agreement. Armstrong engaged in the following

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[4](...continued)
party would suffer in the event this Agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by [Armstrong]."

[5] See specifically ¶¶ 7(H), 7(G), 10, 7(D), 18(D), 20 of the Agreement. [Exhibit B to Sep. St.]

colloquy with Church counsel Larry Heller at that time:

> HELLER: O.K. Ah, Mr. Armstrong, I'm going to ask you to sign three documents, ah, a Mutual Release of All Claims and Settlement Agreement, and two separate affidavits. Prior to doing so, however, I would like to ask you some questions with regard to those documents, um-hm, excuse me, which I would like you to answer freely and honestly, if you would. Ah, first of all, have you had a chance to, ah, completely and comprehensively review and read these documents?
>
> ARMSTRONG: Yeah.
>
> HELLER: O.K. Have you had a chance to discuss these documents with your attorney, Mr. Flynn?
>
> ARMSTRONG: Yes.
>
> HELLER: Has Mr. Flynn explained these documents as well as the legal and factual ramifications to you, legal and practical ramifications to you to your satisfaction?
>
> ARMSTRONG: Uh, I think so, yes.
>
> HELLER: O.k. Well, do you have any question of that whatsoever?
>
> ARMSTRONG: No, I have no current questions about it.
>
> HELLER: O.k. Very good. You are going to sign these of your own free will?
>
> ARMSTRONG: Yes.
>
> HELLER: O.k. You are not suffering from any duress or coercion which is compelling you to sign these documents?
>
> ARMSTRONG: No.
>
> HELLER: All right. You are not presently under the influence of alcohol or any medication, prescription or otherwise, which would impede your ability to comprehend the legal and factual intent of these documents?
>
> ARMSTRONG: No.

[Sep.St.No. 6.] Armstrong has also admitted that, prior to signing the Agreement, he consulted not just Flynn, but at least two other lawyers about the Agreement. [Sep.St.No. 5.]

C. Armstrong's Breaches of Paragraph 7(D) of the Agreement

1. Armstrong Violated The Agreement By Providing A Declaration About His Experiences With The Church And Additional Documents To Anti-Church Litigants Vicki And Richard Aznaran

Vicki and Richard Aznaran ("the Aznarans"), are former Church members who were actively engaged in litigation against the Church and others in 1991. [Sep.St.No. 15.] In June, 1991, the Aznarans discharged their attorney, Ford Greene, and retained Joseph A. Yanny to represent them.

While counsel for the Aznarans, Yanny hired Armstrong, in Yanny's own words "as a paralegal to help [Yanny] on the Aznaran case." [Sep.St.No. 16.] Yanny was well aware that Armstrong was prohibited from this conduct by the Agreement: Yanny was one of the attorneys representing the Church at the time that the Agreement was made. Thereafter, in July, 1991, Yanny was disqualified from his representation of the Aznarans by the Court _sua sponte_, because Yanny had formerly acted as general counsel for the Church and other related entities, thus rendering his appearance on behalf of the Aznarans "highly prejudicial" to the Church. In the same order, the Court reinstated Ford Greene as the Aznarans' counsel. Armstrong immediately began working for Ford Greene. Indeed, Greene pressured the Aznarans to pay Armstrong a monthly stipend for the services which he was supposedly providing to Greene concerning the Aznarans' case. [Sep.St.No. 17.]

The undisputed evidence -- comprised of Armstrong's own admissions -- is that on August 26, 1991, while working for Greene, Armstrong provided the Aznarans with a declaration which was filed in their case. [Sep.St.No. 18] Armstrong has admitted that he drafted and signed the declaration, and that the declaration contains descriptions of some of his alleged experiences with and knowledge of the Church. [Id.] Armstrong also attached to the declaration, and purported to authenticate, copies of two documents which concern the Church, the Scientology religion, and/or other protected entities and individuals. [Id.] This declaration, and the attached documents, are violations of Armstrong's agreement, contained in ¶7(D), to maintain strict confidentiality concerning those matters.

2. Armstrong Violated The Agreement By Providing A Declaration About His Experiences With The Church And Additional Documents To David Mayo, et al.

The facts are also undisputed that, on May 27, 1992, Armstrong provided a declaration to attorneys for litigants David Mayo, Church of the New Civilization, John Nelson, Harvey Haber, Vivien Zegel and Dede Reisdorf, which was filed in the consolidated cases of Religious Technology Center, et al. v. Robin Scott, et al., and Religious Technology Center, et al. v. Wollersheim, et al., United States District Court for the Central District of California, Case Nos. CV 85-711 JMI (Bx) and CV 85-7197 JMI (Bx) ("the Scott case"). [Sep.St.Nos. 23-24.] The Church and related entities - Church of Scientology of California and Religious Technology Center - are plaintiffs in the Scott case. In the declaration, Armstrong purports to authenticate an earlier declaration which describes some of his alleged experiences with the Church, as well as a portion of a transcript which was ordered sealed in the earlier action between the Church and Armstrong. [Id.] These actions are separate and further violations of ¶7(D), triggering the liquidated damages remedy.

3. **Armstrong Violated The Agreement By Giving Interviews To The Media**

Armstrong also has admitted in deposition that on March 19 and 20, 1992, he gave interviews to various reporters, including a reporter for CNN. In his CNN interview, Armstrong discussed his alleged experiences with the Church of Scientology. The interview was videotaped, then broadcast repeatedly on CNN. [Sep.St.No. 19-21.] In addition, Armstrong has admitted to a 1992 interview with William Horne, a reporter with The American Lawyer, in which he also discussed his Scientology experiences. [Sep.St.No. 22.] These interviews constitute a breach of ¶7(D) of the Agreement.

III. **ARGUMENT**

A. **Armstrong's Liability For The Breaches May Be Determined By Summary Adjudication**

A motion for summary adjudication "shall be granted if all the papers submitted show that there is no triable issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Code Civ. Proc. § 437c(c). Moreover, under a provision recently added to the Code of Civil Procedure:

> (n) For purposes of motions for summary judgment and summary adjudication:
>
> (1) a plaintiff or cross-complainant has met his or her burden of showing that there is no defense to a cause of action if that party has proved each element of the cause of action entitling the party to judgment on that cause of action. Once the plaintiff or cross-complainant has met that burden, the burden shifts to the defendant or cross-defendant to show that a triable issue of one or more material facts exists as to that

cause of action.

C.C.P. §437c(n)(1). As demonstrated below, and in the Separate Statement of Undisputed Facts, the Church has met its burden by proving, from Armstrong's own admissions, each element of the causes of action for breach of contract for which summary adjudication is sought. The burden, accordingly, shifts to Armstrong to demonstrate that a triable issue of material fact exists as to plaintiff's claims. Armstrong is simply unable to meet that burden. He has already admitted the facts of each of the claimed breaches, and does not dispute that his actions constitute a breach of the contract, so long as the contract is enforceable. Moreover, the Court of Appeal has already rejected each of his claimed affirmative defenses, finding that the Agreement was fully enforceable against him.[6]

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[6] The Court of Appeal described Armstrong's defenses as follows: "Armstrong did not deny the charged conduct but asserted the settlement agreement was not enforceable for various reasons, primarily that it was against public policy and that he signed it under duress." [Sep.St.No. 12.] The Court rejected all of those defenses -- including, inter alia, assorted constitutional claims, lack of mutuality, duress, actual fraud, constructive fraud, restraint of trade, unclean hands and obstruction of justice -- most without comment. [Sep.St.No. 13.] In rejecting Armstrong's First Amendment arguments, the Court stated:

> Although Armstrong's "freedom of speech" is affected, it is clear that a party may voluntarily by contract agree to limit his freedom of speech. (See In re Steinberg (1983) 148 Cal.App.3d 14, 18-20 [filmmaker agreed to prior restraint on distribution of film]; ITT Telecom Products Corp. v. Dooley (1989) 214 Cal.App.3d 307, 319 [employee's agreement not to disclose confidential information; "it is possible to waive even First Amendment free speech rights by contract"]; Snepp v. United States (1980) 444 U.S. 507, 509, fn. 3 [book by CIA employee subject to prepublication clearance by terms of his employment contract].)

[Sep.St.No. 14.]

Once the moving party has shown the nonexistence of a factual dispute as to a material fact, the party opposing the motion can avoid summary adjudication only by presenting evidence tending to demonstrate that there exists a triable issue of material fact. See, e.g., University of Southern California v. Superior Court (1990) 222 Cal.App.3d 1028, 1036, 272 Cal.Rptr. 264, 268-269.

Indeed, courts have found that summary adjudication can be particularly appropriate for a cause of action for breach of a written contract. "Where there is no conflict as to the terms of a contract, and where its provisions are not uncertain or ambiguous, its 'meaning and effect * * * and the relation of the parties to it thereby created * * * become a question of law to be decided by the court.'" Nizuk v. Georges (1960) 180 Cal.App.2d 699, 705, 4 Cal.Rptr. 565, 570 (citations omitted) (Liability under written employment contract properly decided on motion for summary judgment). Here, the parties agree on the existence of the written contract between them [Sep.St.No. 1], and there is no dispute as to its language or terms. The evidence of the breaches consists of undenied facts presented by plaintiff and the admissions of the defendant himself. All that remains to be decided -- the meaning and effect of those terms -- is a question of law for the Court.

B. The Undisputed Evidence Concerning These Three Causes Of Action Supports A Judgment For Plaintiff In The Combined Amount of $150,000 In Liquidated Damages

To establish its claim for breach of contract, the Church must establish, by competent and undisputed evidence, "(1) the contract, (2) plaintiff's performance or excuse for nonperformance, (3) defendant's breach, and (4) the resulting damages to plaintiff." Reichert v. General Insurance Company of America (1968) 68 Cal.2d 822, 830, 69 Cal.Rptr. 321, 325, 462 P.2d 377.

Each of these elements is fully established by undisputed evidence as to plaintiff's Fourth, Sixth and Eleventh Causes of Action. Armstrong has fully identified and authenticated the Agreement [Ex. B to Sep.St.] and his signature thereon. [Sep.St.No. 4.] He has acknowledged that he signed the Agreement while fully expecting to be paid the settlement figure which he and his attorney agreed upon, and he has admitted that he received that amount. [Sep.St.No. 7.] It is also undisputed that the amount was $800,000, not a small or nominal sum. [Sep.St.No. 8.] The payment of money to Armstrong's attorney is the sole consideration required of plaintiff pursuant to the Agreement, and it was fully paid within days of the signing of the Agreement. [Sep.St.Nos. 1,7.]

Armstrong's breaches have been detailed in Part II. C, supra, and are set forth, with their supporting evidence, in the accompanying separate statement. Each of the acts that constitute a breach has been admitted by Armstrong, either in his Answer to the Amended Complaint, in deposition, or both. The evidence chronicled in the separate statement demonstrates not one, but three separate, individual breaches of paragraph 7(D) of the Agreement.

The damages suffered by plaintiff by reason of Armstrong's breaches of paragraph 7(D) of the Agreement are also without dispute. As part of the Agreement, the parties settled on $50,000 as liquidated damages, which would compensate plaintiff for each breach of ¶7(D). Armstrong and his attorney agreed, when they signed the Agreement, that this was a reasonable amount. [Sep.St.No. 9.] Under California law, such a liquidated damages provision is presumed valid unless it is shown to be "unreasonable under the circumstances existing at the time the contract was made." Civil Code § 1671(b). Armstrong bears the burden of demonstrating that the provision was not reasonable under the circumstances existing when the contract was made. He has proffered no evidence of this, nor can he. The clause can, and must, be enforced. O'Connor v. Televideo System, Inc. (1990) 218 Cal.App.3d 709, 718, 267 Cal.Rptr. 237.

CONCLUSION

Armstrong has admitted to three separate breaches of the Agreement which require him to pay the Church a combined amount of $150,000 in liquidated damages. There are no disputed issues of fact as to any of the elements of plaintiff's claims. Plaintiff is, accordingly, entitled to summary adjudication of its Fourth, Sixth, and Eleventh Causes of Action, and it is entitled to entry of judgment on those claims in the amount of $150,000.

Dated: November 16, 1994

Respectfully submitted,

Laurie J. Bartilson
BOWLES & MOXON

WILSON, RYAN & CAMPILONGO

By: ________________________
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SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation; Plaintiff, vs. GERALD ARMSTRONG; THE GERALD ARMSTRONG CORPORATION, a California corporation; DOES 1 - 25 INCLUSIVE Defendants. AND RELATED CROSS-ACTIONS AND CONSOLIDATED ACTION	CONSOLIDATED CASE NO. 157 680 NOTICE OF LODGING EXHIBIT A TO THE DECLARATION OF LAWRENCE E. HELLER, EXHIBIT 1C TO PLAINTIFF'S MOTION FOR SUMMARY ADJUDICATION OF THE FOURTH, SIXTH AND ELEVENTH CAUSES OF ACTION OF PLAINTIFF'S SECOND AMENDED COMPLAINT AND EXHIBITS THERETO DATE: December 23, 1994 TIME: 9:00 a.m. CALENDAR: Law & Motion DEPT: 1 TRIAL DATE: May 18, 1995

TO DEFENDANTS AND THEIR ATTORNEYS OF RECORD:

PLEASE TAKE NOTICE that plaintiff Church of Scientology International has lodged with the Court the following video tape as Exhibit A to the Declaration of Lawrence E. Heller, Exhibit 1D to Plaintiff's Motion for Summary Adjudication of the Fourth, Sixth and Eleventh Causes of Action of Plaintiff's Second Amended Complaint and Exhibits Thereto.

Dated: November 16, 1994

Respectfully submitted,

Laurie Bartilson
BOWLES & MOXON

By:
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MARIN COUNTY CLERK
by M. Louten, Deputy
M Louten

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation;

Plaintiffs,

vs.

GERALD ARMSTRONG; MICHAEL WALTON; et al.,

Defendants.

GERALD ARMSTRONG,

Cross-Complainant,

vs.

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California Corporation; DAVID MISCAVIGE; DOES 1 to 100;

Cross-Defendant.

AND RELATED CONSOLIDATED ACTION

CONSOLIDATED CASE NO. 157 680

REQUEST FOR JUDICIAL NOTICE OF DOCUMENTS IN SUPPORT OF PLAINTIFF'S MOTION FOR SUMMARY ADJUDICATION OF THE FOURTH, SIXTH AND ELEVENTH CAUSES OF ACTION OF PLAINTIFF'S SECOND AMENDED COMPLAINT AND EXHIBITS THERETO

DATE: December 23, 1994
TIME: 9:00 a.m.
CALENDAR: Law & Motion
DEPT: 1

DISC CUT-OFF:
MTN CUT-OFF:
TRIAL DATE: May 18, 1995

Plaintiff, Church of Scientology International requests that this Court take judicial notice of the following records of the Superior Court of the County of Los Angeles of the State of California, the Court of Appeal of the State of California Second Appellate District, and the U.S. District Court for the Central District, State of California pursuant to Evidence Code Sections 452 and 453:

1. First Amended Verified Complaint for Damages and for Preliminary and Permanent Injunctive Relief for Breach of Contract, filed on June 4, 1992 in the case of Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court, Case No. BC 052395, a true and correct copy of which is attached hereto as Exhibit A;

2. Amended Answer of Gerald Armstrong and The Gerald Armstrong Corporation to Amended Complaint, filed on October 7, 1992, in the case of Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court, Case No. BC 052395, a true and correct copy of which is attached hereto as Exhibit B;

3. Opinion of the Court of Appeal of the State of California Second Appellate District Division Four on May 16, 1994, entered in the case of Church of Scientology International v. Gerald Armstrong, Case No. B069450; a true and correct copy of which is attached hereto as Exhibit C;

4. Ruling by the Honorable Ronald M. Sohigian granting a preliminary injunction, on May 28, 1992, in the case of Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court, Case No. BC 052395, a true and correct

copy of which is attached hereto as Exhibit D;

5. Complaint dated April 1, 1998 in the case of, Vicki J. Aznaran and Richard N. Aznaran v. Church of Scientology of California, et al., U.S. District Court, Central District, State of California, Case No. CV 88-1786-WDK(Ex), a true and correct copy of which is attached hereto as Exhibit E;

6. Second Amended Verified Complaint for Damages and for Preliminary and Permanent Injunctive Relief for Breach of Contract, filed on April 5, 1994 in the case of Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court, Case No. BC 052395, a true and correct copy of which is attached hereto as Exhibit F;

7. Clerk's Entry of Default against Gerald Armstrong and The Gerald Armstrong Corporation, filed August 9, 1994 in Church of Scientology International v. Gerald Armstrong, et al., Los Angeles Superior Court Case No. BC 052395, a true and correct copy of which is attached hereto as Exhibit G.

Dated: November 16, 1994

Respectfully Submitted,

Laurie J. Bartilson
BOWLES & MOXON

WILSON, RYAN & CAMPILONGO

By: ______________________
Andrew H. Wilson

Attorneys for Cross-Defendant
Church of Scientology
International

ORIGINAL FILED

JUN 04 1992

LOS ANGELES
SUPERIOR COURT

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CHURCH OF SCIENTOLOGY INTERNATIONAL

SUPERIOR COURT OF THE STATE OF CALIFORNIA

FOR THE COUNTY OF MARIN

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation; Plaintiff, vs. GERALD ARMSTRONG; DOES 1-25 INCLUSIVE Defendants.	Case No. BC 052395 FIRST AMENDED VERIFIED COMPLAINT FOR DAMAGES AND FOR PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF FOR BREACH OF CONTRACT

Plaintiff, by its attorneys, Wilson, Ryan & Campilongo and Bowles & Moxon, for its Amended Complaint, alleges:

NATURE OF THE ACTION

1. In violation of the express terms and spirit of a settlement agreement ("the Agreement") entered into in December, 1986, defendant Gerald Armstrong ("Armstrong") has embarked on a deliberate campaign designed to aid plaintiff's litigation adversaries, breach the confidentiality provisions of the Agreement, and foment litigation, hatred and ill-will toward plaintiff.

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2. Five years ago, plaintiff Church of Scientology International ("CSI") entered into the Agreement with Armstrong, on its own behalf and for the benefit of numerous third-party beneficiaries. The Agreement provided for a mutual release and waiver of all claims arising out of a cross-complaint which defendant Armstrong had filed in the case of Church of Scientology of California v. Gerald Armstrong, Los Angeles Superior Court No. C 420153. Armstrong, a former Church member who sought, by both litigation and covert means, to disrupt the activities of his former faith, displayed through the years an intense and abiding hatred for the Church, and an eagerness to annoy and harass his former co-religionists by spreading enmity and hatred among members and former members. Plaintiff sought, with the Agreement, to end all of Armstrong's covert activities against it, along with the litigation itself. For that reason, the Agreement contained carefully negotiated and agreed-upon confidentiality provisions and provisions prohibiting Armstrong from fomenting litigation against plaintiff by third parties. These provisions were bargained for by plaintiff to put an end to the enmity and strife generated by Mr. Armstrong once and for all.

3. This action arises out of deliberate and repeated breaches by Armstrong of these and other express provisions of the Agreement. Although plaintiff fully performed all of its obligations under the Agreement, Armstrong never intended to keep his part of the bargain and maintains that he considered the referenced provisions to be unenforceable *ab initio*. As soon as he finished spending the money he extracted from plaintiff as the

price of his signature, in June 1991, Armstrong began a systematic campaign to foment litigation against plaintiff by providing confidential information, copies of the Agreement, declarations, and "paralegal" assistance to litigants actively engaged in litigation against his former adversaries. Although plaintiff has repeatedly demanded that Armstrong end his constant and repeated breach of the provisions of the Agreement, Armstrong appears to delight in renewing his annoying and harassing activities, admitting to them in sworn declarations, and refusing to end his improper liaisons.

4. With this Complaint, plaintiff seeks the Court's aid in obtaining the peace for which it bargained more than five years ago. Plaintiff requests liquidated damages pursuant to the terms of the Agreement, as well as injunctive relief to prevent additional and future breaches of the Agreement by Armstrong.

THE PARTIES

5. Plaintiff Church of Scientology International is a non-profit religious corporation incorporated under the laws of the State of California, having its principal offices in Los Angeles, California. Plaintiff CSI is the Mother Church of the Scientology religion.

6. Defendant Gerald Armstrong is a resident of Marin County, California.

7. Plaintiff is ignorant of the names and capacities of the defendants identified as DOES 1 through 25, inclusive, and thus brings suit against those defendants by their true names upon the ascertainment of their true names and capacities, and their responsibility for the conduct alleged herein.

THE CONTRACT

8. On or about December 6, 1986, CSI and Armstrong entered into a written confidential settlement Agreement, a true and correct copy of which is attached hereto as Exhibit A, and incorporated herein by reference.

9. The Agreement was entered into by plaintiff and defendant Armstrong, with the participation of their respective counsel after full negotiation. Each provision of the Agreement was carefully framed by the parties and their counsel to accurately reflect the agreement of the parties.

10. Plaintiff specifically negotiated for and obtained from Armstrong the provisions in the Agreement delineated in paragraphs 7(D), 7(H), 7(G), 10 and paragraphs 12 through 18, because it was well aware, through investigation, that Armstrong had undertaken a series of covert activities, apart from the litigation, which were intended by Armstrong to discredit Church leaders, spark government raids into the Churches, create phony "evidence" of wrongdoing against the Churches, and, ultimately, destroy the Churches and their leadership.

11. Contemporaneously with the signing of the Agreement, Armstrong represented that he understood the Agreement's provisions and was acting of his own free will and not under duress. In later 1991, Armstrong revealed for the first time that he believed at the time the Agreement was signed that the provisions contained in Paragraphs 7(D), 7(H), 7(G), 10, 12 and 18 were unenforceable.

12. In November, 1984, Armstrong was plotting against the Scientology Churches and seeking out staff members in the Church

who would be willing to assist him in overthrowing Church leadership. The Church obtained information about Armstrong's plans and, through a police-sanctioned investigation, provided Armstrong with the "defectors" he sought. On four separate occasions in November, 1984, Armstrong met with two individuals that he considered to be defectors, whom he knew as "Joey" and "Mike." In reality, both "Joey" and "Mike" were loyal Church members who, with permission from the Los Angeles police, agreed to have their conversations with Armstrong surreptitiously videotaped. During the course of these conversations, Armstrong:

a. Demanded that "Joey" provide him with copies of documents published by the Churches so that he could forge documents in the same style. Armstrong wanted "Joey" to then plant these Armstrong creations in the Church's files so that Armstrong could tip off the Internal Revenue Service Criminal Investigations Division ("CID"), and the incriminating documents would be found in a resulting raid;

b. Sought to "set up" the defection of a senior Scientologist by finding a woman to seduce him;

c. Told "Joey" all about his conversations with Al Lipkin, an investigator for the L.A. CID, and attempted to get "Joey" to call Lipkin and give him false information that would implicate the Church's leaders in the misuse of donations; and

d. Instructed "Mike" on the methods of creating a lawsuit against the Church leadership based on nothing at all:

> ARMSTRONG: They can allege it. They can allege it. They don't even have -- they can allege it.
>
> RINDER: So they don't even have to have the document sitting in front of them and then --
>
> ARMSTRONG: F___ing say the organization destroys the documents.
>
> * * *
>
> Where are the -- we don't have to prove a goddamn thing. We don't have to prove s___t; we just have to allege it.

Given Armstrong's propensity to create trouble for the Churches regardless of truth, the Churches naturally considered such provisions to be an integral and necessary part of any settlement.

13. The Agreement also provided that plaintiff CSI would pay to Armstrong's attorney, Michael Flynn, a lump sum amount intended to settle not just Armstrong's case, but the cases of other clients of Mr. Flynn as well, and that Mr. Flynn would pay to Armstrong a portion of that settlement amount. The exact amount of the portion to be paid to Armstrong by Mr. Flynn was maintained as confidential between Mr. Flynn and Armstrong.

14. CSI paid to Mr. Flynn the lump sum settlement amount.

15. Mr. Flynn paid to Armstrong his confidential portion of the lump sum settlement amount.

16. The consideration paid to Armstrong was fair, reasonable and adequate. Plaintiff CSI has performed all of its obligations pursuant to the Agreement.

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FIRST CAUSE OF ACTION

(Against Armstrong for Breach of Contract)

17. Plaintiff realleges paragraphs 1 - 16, inclusive, and incorporates them herein by reference.

18. Vicki and Richard Aznaran ("the Aznarans") are former Scientology parishioners currently engaged in litigation against, inter alia, RTC and CSI, in the case of Vicki J. Aznaran, et al. v. Church of Scientology of California, et al., United States District Court for the Central District of California, Case No. CV 88-1786 JMI (Ex).

19. In June, 1991, the Aznarans discharged their attorney, Ford Greene, and retained attorney Joseph A. Yanny to represent them.

20. While acting as the Aznarans' counsel, Yanny hired Gerald Armstrong as a paralegal to help Yanny on the Aznaran case.

21. In July, 1991, Armstrong agreed to travel from Marin County to Los Angeles and asked Yanny to pay him $500 for his proposed help.

22. In July, 1991, Armstrong did travel to Los Angeles as he had agreed, stayed with Yanny on July 15 and July 16, 1991, and provided Yanny with paralegal assistance and a declaration for the Aznaran case.

23. Yanny is former counsel to CSI, and his substitution into the case was vacated by the Court sua sponte on July 24, 1991, the Court noting that Yanny's retention as the Aznarans' counsel was "highly prejudicial" to CSI.

24. Armstrong's acceptance of employment by Yanny to work

on the Aznarans' litigation is a direct violation of Paragraphs 7(G) and 10 of the Agreement.

25. As a direct and proximate result of Armstrong's breach of the agreement by providing paralegal assistance to Yanny in the Aznarans' litigation, plaintiff has incurred damages which are not presently calculable. In no event, however, are they less than the jurisdictional minimum of this Court. Consequently, for this breach plaintiff seeks compensatory and consequential damages according to proof.

SECOND CAUSE OF ACTION

(Against Armstrong for Breach of Contract)

26. Plaintiff realleges paragraphs 1-16, 18-25, inclusive, and incorporates them herein by reference.

27. After Yanny entered his appearance in the Aznarans' case and indicated to CSI's counsel that he represented Gerald Armstrong as well, CSI brought suit against Yanny in the case of Religious Technology Center, et al. v. Joseph A. Yanny, et al., Los Angeles Superior Court No. BC 033035 ("RTC v. Yanny"). In that action, plaintiff sought and obtained a Temporary Restraining Order and a Preliminary Injunction against Yanny, which prohibit Yanny from aiding, advising, or representing, directly or indirectly, the Aznarans or Armstrong, on any matters relating to the plaintiff.

28. At the hearings before the Court on the temporary restraining order and the injunction, Yanny filed two declarations prepared and executed by Armstrong on July 16, 1991. The declarations were offered by Yanny as part of Yanny's defense, which was ultimately rejected by the Court when it

issued its injunction.

29. Armstrong's aid to Yanny in the RTC v. Yanny case is a direct violation of Paragraphs 7(G) and 10 of the Agreement.

30. Armstrong attached as an exhibit to one of his July 16, 1991 declarations a copy of the Agreement, the terms of which he had agreed, pursuant to paragraph 18(D), to keep confidential. This disclosure of the terms of the Agreement is a violation of its non-disclosure provisions, requiring that Armstrong pay to CSI $50,000 in liquidated damages.

31. Despite demand by plaintiff, Armstrong has failed and refused to pay them the $50,000 owed in liquidated damages for this breach of the Agreement.

THIRD CAUSE OF ACTION

(Against All Defendants for Breach of Contract)

32. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, inclusive, and incorporates them herein by reference.

33. After Yanny's substitution into the Aznarans' case was summarily vacated, Ford Greene was reinstated as the Aznarans' counsel of record. Ford Greene's law offices are located in San Anselmo, California.

34. On or about August, 1991, Armstrong began working in Ford Greene's office as a paralegal on the Aznarans' case. When, thereafter, the Aznarans hired attorney John Elstead to represent them as well, Armstrong provided paralegal services to Elstead as well as Greene. Armstrong's employment in Greene's office has continued to the present. Armstrong's activities constitute a daily and continuing breach of his contract, rendering plaintiff's bargain a nullity.

35. Plaintiff CSI has already incurred, and continues to incur, damages as a direct and proximate result of Armstrong's provision of aid to Greene in the Aznarans' case. Those damages are not presently calculable and will cease only when Armstrong is ordered to stop his improper conduct. In no event, however, are they less than the jurisdictional minimum of this Court. Consequently, for this breach plaintiff seeks compensatory and consequential damages according to proof.

FOURTH CAUSE OF ACTION

(Against All Defendants for Breach of Contract)

36. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, inclusive, and incorporates them herein by reference.

37. In addition to the paralegal services which Armstrong has provided to Ford Greene and John Elstead on the Aznarans' litigation, Armstrong also provided the Aznarans with a declaration, dated August 26, 1991, and filed in the Aznarans' case. In that declaration, Armstrong describes some of his alleged experiences with and concerning plaintiff, and purports to authenticate copies of certain documents. These actions and disclosures are violations of paragraphs 7(G), 7(H) and 10 of the Agreement, requiring that Armstrong pay to CSI $50,000 in liquidated damages.

38. Despite demand by plaintiff, Armstrong has failed and refused to comply with the liquidated damages provision by paying $50,000 to plaintiff as demanded for this breach of the Agreement.

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FIFTH CAUSE OF ACTION

(For Breach of Contract Against Armstrong)

39. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, and 37-38, inclusive, and incorporates them hereby reference.

40. On or about March 19, 1992, Armstrong, acting through Ford Greene as his agent, transmitted a press release to various members of the media, including the Cable News Network, San Francisco Chronicle, San Francisco Examiner, and the Marin County Independent Journal. A true and correct copy of the press release is attached hereto as Exhibit B. Said press release violated the Agreement in that it constituted disclosures by Armstrong, through Ford Greene as his agent, of his experiences with Scientology as prohibited by paragraph 2. The following are the excerpts from the press release which violate paragraph 2:

a) "Can the Scientology organization purchase the free speech rights of Gerald Armstrong-the former in-house biographer researcher/archivist of cult leader, L. Ron Hubbard..."

b) "A former high-ranking Scientologist for 12 years, Armstrong split with the group when it insisted he continue lying about the accomplishments Hubbard claimed to the public at large."

c) "For years Scientology has treated Armstrong as a 'suppressive person' who was 'fair game.'"

d) "Armstrong is resisting Scientology's high-powered attack in an effort to affirm his right to free speech to maintain vigilance for the truth."

e) "(Scientology is) fabricating false scenarios in other court proceedings that Armstrong was an agent of the IRS out to destroy it."

41. In addition, the press release devotes an entire paragraph to a description of the lawsuit resulting from the Settlement Agreement and to a description of the Settlement Agreement itself:

> "After Armstrong beat Scientology's lawsuit against him in 1984, he was poised to prosecute his own claims. For millions of dollars, however, in 1986 Scientology settled with he and over 17 other Scientology knowledgeable individuals on the condition that those persons would forever keep silent, avoid giving sworn testimony by evading subpoenas, and never aid or assist anyone adverse to Scientology."

The distribution of the press release violated the provisions of paragraphs 7(D) and 18 of the Agreement.

42. By reason of the foregoing breach by Armstrong, plaintiff is entitled to $50,000 in liquidated damages and compensatory damages not presently known but believed to be in excess of the jurisdictional minimum of this Court.

SIXTH CAUSE OF ACTION

(For Breach of Contract by Armstrong)

43. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, and 40-42, inclusive, and incorporates them hereby by reference.

44. On or about March 19 and 20, 1992, Armstrong and Greene, acting as Armstrong's agent, granted the media additional interviews, which also violated paragraph 2 of the Agreement. During the course of his interview with the Cable News Network, for example, Armstrong stated, "I'm an expert in the misrepresentations Hubbard has made about himself from the beginning of Dianetics until the day he died." Attached hereto and incorporated herein by reference as Exhibit C is a true and correct transcription of the CNN broadcast which featured this statement made voluntarily by Armstrong in a media interview.

45. By reason of the foregoing breach of the Agreement, plaintiff is entitled to $50,000 in liquidated damages.

SEVENTH CAUSE OF ACTION

(Against Armstrong for Breach of Contract)

46. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, 40-42 and 44-45, inclusive and incorporates them herein by reference.

47. On or about February, 1992, Armstrong agreed to appear voluntarily as an "expert witness" in litigation known as Hunziker v. Applied Materials, No. 692629 S.C.S.C (the "Hunziker case"). The alleged subject of his "expertise" was Scientology. The defendants named in the Hunziker case include, inter alia, World Institute of Scientology Enterprises, Inc., which is a Scientology affiliated entity protected by the Agreement.

48. On or about February 21, 1992 and February 23, 1992, Armstrong met voluntarily with James Rummond and John Elstead, attorneys for the plaintiffs in the Hunziker case. During his meetings with these attorneys, Armstrong discussed his alleged history and experiences with plaintiff and with other Scientology entities and individuals protected by the Agreement, and offered to appear for the plaintiffs as an "expert" on the subject of Scientology practices and beliefs.

49. On March 3, 1992, Armstrong voluntarily, and without the issuance of a subpoena by anyone, appeared for deposition in the Hunziker case and accepted a fee for his testimony from the defendants in that case of $1,000. During the course of the deposition, which lasted for approximately four hours, Armstrong testified at length concerning his alleged experiences with and concerning plaintiff and other Scientology affiliated entities and individuals protected by the Agreement, and concerning

knowledge and information which he claimed to have concerning plaintiff and other Scientology affiliated entities and individuals.

50. During his deposition on March 3, 1992, Armstrong produced documents which he claimed to have reviewed in preparation for his testimony, including documents referred to in paragraph 46, supra, in violation of paragraph 7(D) of the Agreement.

51. On or about March 12, 1992, Armstrong again appeared for deposition in the Hunziker case. This time, Armstrong claimed that he had been given a deposition subpoena not by the deposing attorney, but by attorney Elstead, and that Elstead had "filled out" the subpoena earlier that morning. Armstrong refused to produce a copy of the alleged subpoena, which had not been served on any of the parties to the case. In fact, Armstrong himself requested that Elstead issue him a subpoena on Sunday, March 8, 1992, after a temporary restraining order was issued in this case. On March 8, 1992, Armstrong delivered additional documents to Elstead, again in violation of paragraph 7(D) of the Agreement.

52. Plaintiff learned in April, 1992, through review of the aforesaid deposition transcript, that since the signing of the Agreement, Armstrong had "taken it upon [him]self" to reacquire documents which he had previously returned to plaintiff "from whatever source." He produced many of those documents voluntarily, first to Elstead on March 8, 1992, and then to opposing counsel during the March 12, 1992 deposition.

53. These actions and disclosures are violations of

Paragraphs 7(D), 7(G), 7(H) and 10 of the Agreement, requiring that Armstrong pay to CSI $250,000 in liquidated damages.

EIGHTH CAUSE OF ACTION

(Against Armstrong for Breach of Contract)

54. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, 40-42, 44-45, 47-52, inclusive, and incorporates them herein by reference.

55. On or about April 7, 1992, while testifying in the matter known as Church of Scientology v. Yanny, (No. BC 033035), Armstrong made the Settlement Agreement sued upon herein an exhibit to the deposition transcript. Said action was a breach of paragraph 18(D) of the Agreement which prohibits disclosure of the contents of the Agreement.

56. By reason of the foregoing breach of the Agreement, Plaintiff is entitled to $50,000 in liquidated damages, together with compensatory damages in an amount not presently known to plaintiff but believed to be in excess of the jurisdictional minimum of this court.

NINTH CAUSE OF ACTION

(Against Armstrong for Beach of Contract)

57. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, 40-42, 44-45, 47-52, and 55, inclusive, and incorporates them herein by reference.

58. In breach of the provision of paragraph 7(E) of the Agreement, Armstrong failed to return a letter written by L. Ron Hubbard to the Federal Bureau of Investigation in 1955 and an internal communication known as "Technical Bulletin."

59. In breach of the provisions of paragraph 7(H) of the

Agreement, Armstrong gave a declaration in the Aznaran litigation on August 26, 1991 in opposition to a motion to exclude expert testimony.

60. Said declaration attached as exhibits the two documents referred to in paragraph 58 above, in breach of the provisions of Paragraph 7(D) of the Agreement.

61. By reason of the breaches by Armstrong in paragraphs 7(E) and 7(H) of the Agreement, plaintiff has been damaged in an amount not presently known but believed to be in excess of the jurisdictional minimum of this Court.

62. By reason of the breach by Armstrong of paragraph 7(D) of the Agreement, plaintiff is entitled to liquidated damages in the amount of $50,000.

TENTH CAUSE OF ACTION

(Against Armstrong for Breach of Contract)

63. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, 40-42, 44-45, 47-52, 54-55 and 58-60, inclusive, and incorporates them herein by reference.

64. Plaintiff learned in March, 1992, that during 1990 and 1991, Armstrong voluntarily provided aid and advice to Bent Corydon and to Corydon's attorney, Toby Plevin, in the conduct of litigation against plaintiff and affiliated entities in the case of Bent Corydon v. Church of Scientology International, et al., Los Angeles Superior Court Case No. C 694401.

65. Armstrong's voluntary provision of aid to Plevin to work on Corydon's litigation is a direct violation of paragraphs 7(G) and 10 of the Agreement.

66. As a direct and proximate result of Armstrong's breach

of the Agreement by providing voluntary assistance to Plevin in Corydon's litigation, plaintiff has incurred damages which are not presently calculable. In no event, however, are they less than the jurisdictional minimum of this Court. Consequently, for this breach plaintiff seeks compensatory and consequential damages according to proof.

ELEVENTH CAUSE OF ACTION

(Against Armstrong for Breach of Contract)

67. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, 40-42, 44-45, 47-52, 54-55, 58-60, 64-65 inclusive, and incorporates them herein by reference.

68. On May 27, 1992, after plaintiff's motion for preliminary injunction in this matter had been argued, and while a determination of that motion was still pending, Armstrong voluntarily provided a declaration to Gary M. Bright and Jerold Fagelbaum, attorneys for defendants David Mayo, Church of the New Civilization, John Nelson, Harvey Haber, Vivien Zegel and Dede Reisdorf in the consolidated cases of Religious Technology Center, et al. v. Robin Scott, et al., and Religious Technology Center, et al. v. Wollersheim, et al., United States District Court for the Central District of California, Case Nos. CV 85-711 JMI (Bx) and CV 85-7197 JMI (Bx) (the "Scott case"). The plaintiffs in the Scott case are plaintiff, Church of Scientology International, Church of Scientology of California, and Religious Technology Center, all entities specifically protected by the Agreement.

69. In his May 27, 1992 declaration, Armstrong purports to authenticate an earlier declaration which describes some of his

alleged experiences with and concerning plaintiff, as well as a portion of a transcript which was ordered sealed in the earlier action between plaintiff and defendant. These actions and disclosures are violations of paragraphs 7(G), 7(H) and 10 of the Agreement, requiring that Armstrong pay to CSI $50,000 in liquidated damages.

70. As a direct and proximate result of Armstrong's breach of the Agreement by providing voluntary assistance to Bright and Fagelbaum in the Scott case, plaintiff has incurred additional damages which are not presently calculable. In no event, however, are they less than the jurisdictional minimum of this Court. Consequently, for this breach plaintiff also seeks compensatory and consequential damages according to proof.

TWELFTH CAUSE OF ACTION

(Against All Defendants for Injunctive Relief)

71. Plaintiff realleges paragraphs 1-16, 18-25, 27-31, 33-35, 37-38, 40-42, 44-45, 47-52, 54-55, 58-60, 64-65 and 68-69 inclusive, and incorporates them herein by reference.

72. As a direct and proximate result of Armstrong's breach of the Agreement by providing assistance to Greene and Elstead in the Aznarans' litigation, which breach is, on information and belief, persistent and continuing, CSI is and will continue to be irreparably harmed, and unless Armstrong and those acting in concert with him are temporarily, preliminarily and permanently enjoined from continuing that unlawful conduct, further irreparable harm will be caused to CSI.

73. Further, as a direct and proximate result of Armstrong's breach of the Agreement by providing assistance to

Yanny in Yanny's litigation, which breach is, on information and belief, persistent and continuing, CSI is and will continue to be irreparably harmed, and unless Armstrong and those acting in concert with him are temporarily, preliminarily and permanently enjoined from continuing that unlawful conduct, further irreparable harm will be caused to CSI.

74. Further, as a direct and proximate result of Armstrong's breach of the Agreement by providing assistance to Elstead and Rummond in the Hunziker litigation, which breach is, on information and belief, persistent and continuing, CSI is and will continue to be irreparably harmed, and unless Armstrong and those acting in concert with him are temporarily, preliminarily and permanently enjoined from continuing that unlawful conduct, further irreparable harm will be caused to CSI.

75. Further, as a direct and proximate result of Armstrong's breach of the Agreement by providing assistance to Fagelbaum and Bright in the Scott litigation, which breach is, on information and belief, persistent and continuing, CSI is and will continue to be irreparably harmed, and unless Armstrong and those acting in concert with him are temporarily, preliminarily and permanently enjoined from continuing that unlawful conduct, further irreparable harm will be caused to CSI.

WHEREFORE, plaintiff prays for judgment as follows:

ON THE FIRST CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For attorneys' fees and costs of suit.

///

ON THE SECOND CAUSE OF ACTION

1. For liquidated damages in the amount of $50,000.
2. For attorneys' fees and costs of suit.

ON THE THIRD CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For attorneys' fees and costs of suit.

ON THE FOURTH CAUSE OF ACTION

1. For liquidated damages in the amount of $50,000.
2. For attorneys' fees and costs of suit.

ON THE FIFTH CAUSE OF ACTION

1. For liquidated damages in the amount of $50,000.
2. For compensatory and consequential damages according to proof.
3. For attorneys' fees and costs of suit.

ON THE SIXTH CAUSE OF ACTION

1. For liquidated damages in the amount of $50,000.
2. For attorney's fees and costs of suit.

ON THE SEVENTH CAUSE OF ACTION

1. For liquidated damages in the amount of $250,000.
2. For attorneys' fees and costs of suit.

ON THE EIGHTH CAUSE OF ACTION

1. For liquidated damages in the amount of $50,000.
2. For attorneys' fees and costs of suit.

ON THE NINTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.
2. For liquidated damages in the sum of $50,000.

3. For attorney's fees and costs of suit.

ON THE TENTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.

2. For attorneys' fees and costs of suit.

ON THE ELEVENTH CAUSE OF ACTION

1. For compensatory and consequential damages according to proof.

2. For liquidated damages in the sum of $50,000.

3. For attorney's fees and costs of suit.

ON THE TWELFTH CAUSE OF ACTION

1. For a preliminary and permanent injunction prohibiting and restraining all defendants, including Armstrong, from violating any of the provisions of the Agreement, including the provisions of paragraphs 7(D), 7(E), 7(G), 7(H) and 18(D).

ON ALL CAUSES OF ACTION

1. For such other and further relief as the Court may deem just and proper.

DATED: June 4, 1992

BOWLES & MOXON

By: ____________________
Laurie J. Bartilson

Andrew H. Wilson
WILSON, RYAN & CAMPILONGO

Attorneys for Plaintiff
CHURCH OF SCIENTOLOGY
INTERNATIONAL

Exhibit A

Exhibit A

3218

MUTUAL RELEASE OF ALL CLAIMS AND SETTLEMENT AGREEMENT

1. This Mutual Release of All Claims and Settlement Agreement is made between Church of Scientology International (hereinafter "CSI") and Gerald Armstrong, (hereinafter "Plaintiff") Cross-Complainant in Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153. By this Agreement, Plaintiff hereby specifically waives and releases all claims he has or may have from the beginning of time to and including this date, including all causes of action of every kind and nature, known or unknown for acts and/or omissions against the officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel of CSI as well as the Church of Scientology of California, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Religious Technology Center, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; all Scientology and Scientology affiliated organizations and entities and their officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; Author Services, Inc., its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel; L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and its trustee; and Mary Sue Hubbard, (all hereinafter collectively referred to as the

EXHIBIT A

"Releasees"). The parties to this Agreement hereby agree as follows:

2. It is understood that this settlement is a compromise of doubtful and disputed claims, and that any payment is not to be construed, and is not intended, as an admission of liability on the part of any party to this Agreement, specifically, the Releasees, by whom liability has been and continues to be expressly denied. In executing this settlement Agreement, Plaintiff acknowledges that he has released the organizations, individuals and entities listed in the above paragraph, in addition to those defendants actually named in the above lawsuit, because among other reasons, they are third party beneficiaries of this Agreement.

3. Plaintiff has received payment of a certain monetary sum which is a portion of a total sum of money paid to his attorney, Michael J. Flynn. The total sum paid to Mr. Flynn is to settle all of the claims of Mr. Flynn's clients. Plaintiff's portion of said sum has been mutually agreed upon by Plaintiff and Michael J. Flynn. Plaintiff's signature below this paragraph acknowledges that Plaintiff is completely satisfied with the monetary consideration negotiated with and received by Michael J. Flynn. Plaintiff acknowledges that there has been a block settlement between Plaintiff's attorney, Michael J. Flynn, and the Church of Scientology and Churches and entities related to the Church of Scientology, concerning all of Mr. Flynn's clients who were in litigation with any Church of Scientology or related entity. Plaintiff has received a portion of this block.

amount, the receipt of which he hereby acknowledges. Plaintiff understands that this amount is only a portion of the block settlement amount. The exact settlement sum received by Plaintiff is known only to Plaintiff and his attorney, Michael J. Flynn, and it is their wish that this remain so and that this amount remain confidential.

Signature line for Gerald Armstrong

4. For and in consideration of the above described consideration, the mutual covenants, conditions and release contained herein, Plaintiff does hereby release, acquit and forever discharge, for himself, his heirs, successors, executors, administrators and assigns, the Releasees, including Church of Scientology of California, Church of Scientology International, Religious Technology Center, all Scientology and Scientology affiliated organizations and entities, Author Services, Inc. (and for each organization or entity, its officers, agents, representatives, employees, volunteers, directors, successors, assigns and legal counsel); L. Ron Hubbard, his heirs, beneficiaries, Estate and its executor; Author's Family Trust, its beneficiaries and trustee; and Mary Sue Hubbard, and each of them, of and from any and all claims, including, but not limited to, any claims or causes of action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153 and all demands, damages, actions and causes of actions of every kind and nature, known or unknown,

for or because of any act or omission allegedly done by the Releasees, from the beginning of time to and including the date hereof. Therefore, Plaintiff does hereby authorize and direct his counsel to dismiss with prejudice his claims now pending in the above referenced action. The parties hereto will execute and cause to be filed a joint stipulation of dismissal in the form of the one attached hereto as Exhibit "A".

A. It is expressly understood by Plaintiff that this release and all of the terms thereof do not apply to the action brought by the Church of Scientology against Plaintiff for Conversion, Fraud and other causes of action, which action has already gone to trial and is presently pending before the Second District, Third Division of the California Appellate Court (Appeal No. B005912). The disposition of those claims are controlled by the provisions of the following paragraph hereinafter.

B. As of the date this settlement Agreement is executed, there is currently an appeal pending before the California Court of Appeal, Second Appellate District, Division 3, arising out of the above referanced action delineated as Appeal No. B005912. It is understood that this appeal arises out of the Church of Scientology's complaint against Plaintiff which is not settled herein. This appeal shall be maintained notwithstanding this Agreement. Plaintiff agrees to waive any rights he may have to take any further appeals from any decision eventually reached by the Court of Appeal or any rights he may have to oppose (by responding brief or any other means) any further appeals taken by the Church of

Scientology of California. The Church of Scientology of California shall have the right to file any further appeals it deems necessary.

5. For and in consideration of the mutual covenants, conditions and release contained herein, and Plaintiff dismissing with prejudice the action Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153, the Church of Scientology of California does hereby release, acquit and forever discharge for itself, successors and assigns, Gerald Armstrong, his agents, representatives, heirs, successors, assigns, legal counsel and estate and each of them, of and from any and all claims, causes of action, demands, damages and actions of every kind and nature, known or unknown, for or because of any act or omission allegedly done by Gerald Armstrong from the beginning of time to and including the date hereof.

6. In executing this Agreement, the parties hereto, and each of them, agree to and do hereby waive and relinquish all rights and benefits afforded under the provisions of Section 1542 of the Civil Code of the State of California, which provides as follows:

> "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor."

7. Further, the undersigned hereby agree to the following:

A. The liability for all claims is expressly denied by the parties herein released, and this final compromise and settlement thereof shall never be treated as an admission of liability or responsibility at any time for any purpose.

B. Plaintiff has been fully advised and understands that the alleged injuries sustained by him are of such character that the full extent and type of injuries may not be known at the date hereof, and it is further understood that said alleged injuries, whether known or unknown at the date hereof, might possibly become progressively worse and that as a result, further damages may be sustained by Plaintiff; nevertheless, Plaintiff desires by this document to forever and fully release the Releasees. Plaintiff understands that by the execution of this release no further claims arising out of his experience with, or actions by, the Releasees, from the beginning of time to and including the date hereof, which may now exist or which may exist in the future may ever be asserted by him or on his behalf, against the Releasees.

C. Plaintiff agrees to assume responsibility for the payment of any attorney fee, lien or liens, imposed against him past, present, or future, known or unknown, by any person, firm, corporation or governmental entity or agency as a result of, or growing out of any of the matters referred to in this release. Plaintiff further agrees to hold harmless the parties herein released, and each of them, of and from any liability arising therefrom.

D. Plaintiff agrees never to create or publish or attempt to publish, and/or assist another to create for publication by means of magazine, article, book or other similar form, any writing or to broadcast or to assist another to create, write, film or video tape or audio tape any show, program or movie, or to grant interviews or discuss with others, concerning their experiences with the Church of Scientology, or concerning their personal or indirectly acquired knowledge or information concerning the Church of Scientology, L. Ron Hubbard or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff further agrees that he will maintain strict confidentiality and silence with respect to his experiences with the Church of Scientology and any knowledge or information he may have concerning the Church of Scientology, L. Ron Hubbard, or any of the organizations, individuals and entities listed in Paragraph 1 above. Plaintiff expressly understands that the non-disclosure provisions of this subparagraph shall apply, inter alia, but not be limited, to the contents or substance of his complaint on file in the action referred to in Paragraph 1 hereinabove or any documents as defined in Appendix "A" to this Agreement, including but not limited to any tapes, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard, or any of the organizations, individuals, or entities listed in Paragraph 1 above. The attorneys for Plaintiff, subject to the ethical limitations restraining them as promulgated by the state or federal regulatory associations or agencies, agree not to disclose any of the terms and conditions of the settlement negotiations, amount of the settlement, or statements made by either party during settlement conferences. Plaintiff agrees that if the terms of this paragraph are breached by him, that CSI and the other Releasees would be entitled to liquidated damages in the amount of $50,000 for each such breach. All monies received to induce or in payment for a breach of this Agreement, or any part thereof, shall be held in a constructive trust pending the outcome of any litigation over said breach. The amount of liquidated damages herein is an estimate of the damages that each party would suffer in the event this Agreement is breached. The reasonableness of the amount of such damages are hereto acknowledged by Plaintiff.

E. With exception to the items specified in Paragraph 7(L), Plaintiff agrees to return to the Church of Scientology International at the time of the consummation of this Agreement, all materials in his possession, custody or control (or within the possession, custody or control of his attorney, as well as third parties who are in possession of the described documents), of any nature, including originals and all copies or summaries of documents defined in Appendix "A" to this Agreement, including but not limited to any tapes, computer disks, films, photographs, recastings, variations or copies of any such materials which concern or relate to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above, all evidence of any nature, including evidence obtained from the named defendants through discovery, acquired for the purposes of this lawsuit or any lawsuit, or acquired for any other purpose concerning any Church of Scientology, any financial or administrative materials concerning any Church of Scientology, and any materials relating personally to L. Ron Hubbard, his family, or his estate. In addition to the documents and other items to be returned to the Church of Scientology International listed above and in Appendix "A", Plaintiff agrees to return the following:

(a) All originals and copies of the manuscript for the work "Excalibur" written by L. Ron Hubbard;

(b) All originals and copies of documents commonly known as the "Affirmations" written by L. Ron Hubbard; and

(c) All documents and other items surrendered to the Court by Plaintiff and his attorneys pursuant to Judge Cole's orders of August 24, 1982 and September 4, 1982 and all documents and other items taken by the Plaintiff from either the Church of Scientology or Omar Garrison. This includes all documents and items entered into evidence or marked for identification in Church of Scientology of California v. Gerald Armstrong, Case No. C 420 153. Plaintiff and his attorney will execute a Joint Stipulation or such other documents as are necessary to obtain these documents from the Court. In the event any documents or other items are no longer in the custody or control of the Los Angeles Superior Court, Plaintiff and his counsel will assist the Church in recovering these documents as quickly as possible, including but not limited to those tapes and other documents now in the possession of the United States District Court in the case of United States v. Zolin, Case No. CV

85-0440-HLH(Tx), presently on appeal in the Ninth Circuit Court of Appeals. In the event any of these documents are currently lodged with the Court of Appeal, Plaintiff and his attorneys will cooperate in recovering those documents as soon as the Court of Appeal issues a decision on the pending appeal.

To the extent that Plaintiff does not possess or control documents within categories A-C above, Plaintiff recognizes his continuing duty to return to CSI any and all documents that fall within categories A-C above which do in the future come into his possession or control.

F. Plaintiff agrees that he will never again seek or obtain spiritual counselling or training or any other service from any Church of Scientology, Scientologist, Dianetics or Scientology auditor, Scientology minister, Mission of Scientology, Scientology organization or Scientology affiliated organization.

G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology.

H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed.

I. The parties hereto agree that in the event of any future litigation between Plaintiff and any of the organizations, individuals or entities listed in Paragraph 1 above, that any past action or activity, either alleged in this lawsuit or activity similar in fact to the evidence that was developed during the course of this lawsuit, will not be used by either party against the other in any future litigation. In other words, the "slate" is wiped clean concerning past actions by any party.

J. It is expressly understood and agreed by Plaintiff that any dispute between Plaintiff and his counsel as to the proper division of the sum paid to Plaintiff by his attorney of record is between Plaintiff and his attorney of record and shall in no way affect the validity of this Mutual Release of All Claims and Settlement Agreement.

K. Plaintiff hereby acknowledges and affirms that he is not under the influence of any drug, narcotic, alcohol or other mind-influencing substance, condition or ailment such that his ability to fully understand the meaning of this Agreement and the significance thereof is adversely affected.

L. Notwithstanding the provisions of Paragraph 7(E) above, Plaintiff shall be entitled to retain any artwork created by him which concerns or relates to the religion of Scientology, L. Ron Hubbard or any of the organizations, individuals or entities listed in Paragraph 1 above provided that such artwork never be disclosed either directly or indirectly, to anyone. In the event of a disclosure in breach of this Paragraph 7(L), Plaintiff shall be subject to the liquidated damages and constructive trust provisions of Paragraph 7(D) for each such breach.

8. Plaintiff further agrees that he waives and relinquishes any right or claim arising out of the conduct of any defendant in this case to date, including any of the organizations, individuals or entities as set forth in Paragraph 1 above, and the named defendants waive and relinquish any right or claim arising out of the conduct of Plaintiff to date.

9. This Mutual Release of All Claims and Settlement Agreement contains the entire agreement between the parties hereto, and the terms of this Agreement are contractual and not a mere recital. This Agreement may be amended only by a written instrument executed by Plaintiff and CSI. The parties hereto have carefully read and understand the contents of this Mutual Release of All Claims and Settlement Agreement and sign the same of their own free will, and it is the intention of the parties to be legally bound hereby. No other prior or contemporaneous agreements, oral or written, respecting such matters, which are not specifically

incorporated herein shall be deemed to in any way exist or bind any of the parties hereto.

10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement.

11. The parties to this Agreement acknowledge the following:

A. That all parties enter into this Agreement freely, voluntarily, knowingly and willingly, without any threats, intimidation or pressure of any kind whatsoever and voluntarily execute this Agreement of their own free will;

B. That all parties have conducted sufficient deliberation and investigation, either personally or through other sources of their own choosing, and have obtained advice of counsel regarding the terms and conditions set forth herein, so that they may intelligently exercise their own judgment in deciding whether or not to execute this Agreement; and

C. That all parties have carefully read this Agreement and understand the contents thereof and that each reference in this Agreement to any party includes successors, assigns, principals, agents and employees thereof.

12. Each party shall bear its respective costs with respect to the negotiation and drafting of this Agreement and

all acts required by the terms hereof to be undertaken and performed by that party.

13. To the extent that this Agreement inures to the benefit of persons or entities not signatories hereto, this Agreement is hereby declared to be made for their respective benefits and uses.

14. The parties shall execute and deliver all documents and perform all further acts that may be reasonably necessary to effectuate the provisions of this Agreement.

15. This Agreement shall not be construed against the party preparing it, but shall be construed as if both parties prepared this Agreement. This Agreement shall be construed and enforced in accordance with the laws of the State of California.

16. In the event any provision hereof be unenforceable, such provision shall not affect the enforceability of any other provision hereof.

17. All references to the plural shall include the singular and all references to the singular shall include the plural. All references to gender shall include both the masculine and feminine.

18.(A) Each party warrants that they have received independent legal advice from their attorneys with respect to the advisability of making the settlement provided for herein and in executing this Agreement.

(B) The parties hereto (including any officer, agent, employee, representative or attorney of or for any party) acknowledge that they have not made any statement, representation or promise to the other party regarding any fact material to this Agreement except as expressly set forth herein. Furthermore, except as expressly stated in this Agreement, the parties in executing this Agreement do not rely upon any statement, representation or promise by the other party (or of any officer, agent, employee, representative or attorney for the other party).

(C) The persons signing this Agreement have the full right and authority to enter into this Agreement on behalf of the parties for whom they are signing.

(D) The parties hereto and their respective attorneys each agree not to disclose the contents of this executed Agreement. Nothing herein shall be construed to prevent any party hereto or his respective attorney from stating that this civil action has been settled in its entirety.

(E) The parties further agree to forbear and refrain from doing any act or exercising any right, whether existing now or in the future, which act or exercise is inconsistent with this Agreement.

19. Plaintiff has been fully advised by his counsel as to the contents of this document and each provision hereof. Plaintiff hereby authorizes and directs his counsel to dismiss with prejudice his claims now pending in the action entitled Gerald Armstrong v. Church of Scientology of California, Los Angeles Superior Court, Case No. 420 153.

20. Notwithstanding the dismissal of the lawsuit pursuant to Paragraph 4 of this Agreement, the parties hereto agree that the Los Angeles Superior Court shall retain

jurisdiction to enforce the terms of this Agreement. This Agreement may be enforced by any legal or equitable remedy, including but not limited to injunctive relief or declaratory judgment where appropriate. In the event any party to this Agreement institutes any action to preserve, to protect or to enforce any right or benefit created hereunder, the prevailing party in any such action shall be entitled to the costs of suit and reasonable attorney's fees.

21. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be a duplicate original, but all of which, together, shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement, on the date opposite their names.

Dated: December 6, 1986

GERALD ARMSTRONG

Witness

Witness

Dated: 12/6/86

APPROVED AS TO FORM AND CONTENT:

MICHAEL J. FLYNN
Attorney for
GERALD ARMSTRONG

Dated: December 11, 1986

for
CHURCH OF SCIENTOLOGY
INTERNATIONAL

APPENDIX A

1. As used herein, the term "document" or "documents" include but are not limited to all originals, file copies and copies not identical to the original, no matter how prepared, of all writings, papers, notes, records, books and other tangible things including, by way of example and not of limitation, the following:

a. Memoranda, notes, calendars, appointment books, shorthand or stenographer's notebooks, correspondence, letters and telegrams, whether received, sent, filed or maintained internally;

b. Drafts and notes, whether typed, penciled or otherwise, whether or not used;

c. Minutes, reports and summaries of meetings;

d. Contracts, agreements, understandings, commitments, proposals and other business dealings;

e. Recordings, transcriptions and memoranda or notes made of any telephone or face-to-face oral conversations between or among persons;

f. Dictated tapes or other sound recordings;

g. Computer printouts or reports and the applicable program or programs therefor;

h. Tapes, cards or any other means by which data are stored or preserved electrically, electronically, magnetically or mechanically, and the applicable program or program therefor (from which plaintiff may reproduce or cause to be reproduced such data in written form);

i. Pictures, drawings, photographs, charts or other graphic representations;

j. Checks, bills, notes, receipts, or other evidence of payment;

k. Ledgers, journals, financial statements, accounting records, operating statements, balance sheets and statements of account.

Exhibit B

WHERE: Marin Superior Court, San Rafael Civic Center -
Scientology vs. Armstrong No. 152229

March 20, 1992 at 9:00 a.m., Department 4.

* * * * * *

Can the Scientology Organization purchase the free speech rights of Gerald Armstrong - the former in-house biography researcher/archivist of cult leader L. Ron Hubbard - so that it can keep the facts that he knows out of public view in the marketplace of ideas?

A former high-ranking Scientologist for 12 years, Armstrong split with the group when it insisted he continue lying about the accomplishments Hubbard claimed to the public at large. In 1982, the organization sued Armstrong for sending Hubbard documents to his lawyers. In 1984 at Armstrong's trial, Los Angeles Superior Court judge Paul G. Breckenridge, Jr., who ruled that Armstrong's actions had been manifestly justified, also found:

> "In addition to violating and abusing its own members civil rights, the organization over the years with its "Fair Game" doctrine has harassed and abused those persons not in the Church whom it perceives as enemies. The organization is clearly schizophrenic and paranoid, and this bizarre combination seems to be a reflection of its founder LRH [L. Ron Hubbard]. The evidence portrays a man who has been virtually a pathological liar when it comes to his history, background, and achievements. The writings and documents in evidence additionally reflect his egoism, greed, avarice, lust for power, and vindictiveness and aggressiveness against persons perceived by him to be disloyal or hostile."

For years, Scientology has treated Armstrong as a "suppressive person" who was "Fair Game." This policy says as Fair Game one

> "may be deprived of property or injured by any means by any Scientologist without any discipline of the Scientologist. May be tricked, sued or lied to or destroyed."

Defended by Ford Greene - the lawyer who persuaded the California Supreme Court that the Unification Church (Moonies) should be liable for brainwashing and who won an acquittal for a felonious-charged deprogrammer on the ground that the kidnapping was necessary to avoid cult-danger - Armstrong is resisting Scientology's high-powered attack in an effort to affirm his right to free speech to maintain vigilance for the truth.

After Armstrong beat Scientology's lawsuit against him in 1984, he was poised to prosecute his own claims. For millions of dollars, however, in 1986 Scientology settled with him and over 17 other Scientology-knowledgeable individuals on the condition that those persons would forever keep silent, avoid giving sworn testimony by evading subpoenas, and never aid or assist any one adverse to Scientology.

Between its full-page daily ads in U.S.A. Today and purchasing the silence of judicially-credible adversaries, Scientology's strategy is to eliminate the competition in the marketplace of ideas for those who would swallow the claims of its widespread advertisements for the benefits of Dianetics: The Science of Metal Health.

Scientology has demanded that newly-elevated Marin County Superior Court Judge Michael Dufficy give them a preliminary injunction which would prevent Armstrong from speaking out and assisting other individuals locked in litigation with Scientology - while at the same time fabricating false scenarios in other court proceedings that Armstrong was an agent of the IRS out to destroy it. If Scientology has its way, Armstrong would either roll over, or if he exposed its lies about him, Scientology would demand he be jailed for contempt of court.

When Scientology first came to Marin County to go after Armstrong, it asked the Court to conduct all proceedings in secret in closed proceedings. The Court refused. Then Scientology asked the Court to seal the settlement agreement that Scientology wants the Court to enforce. The Court refused. Now, Scientology has obtained a temporary restraining order compelling Armstrong not to speak out on the subject of Scientology. Scientology would like to make it permanent and will attempt to do just that at the March 20th Marin Superior Court hearing.

FOR FURTHER INFORMATION CALL:

KIRK SEIDEL, Press Liaison
(415) 457-5711

FORD GREENE (415) 258-0360

Exhibit C

HEADLINE NEWS

[SHOT: Studio setting]

NARRATOR: A former member of the Church of Scientology claims he has damaging information about the organization, but he's being silenced by a Court Order. Don Nab explains.

[CNN CAPTION: SCIENTOLOGY.]

[SHOT: Close up of Armstrong with Ford Greene behind him. Then a pan of the courtroom, with attorney Andy Wilson arguing and a shot of the Judge.]

Don Nab: Gerald Armstrong says he knows a lot about the Church of Scientology and he's fighting in court for the chance to tell it. A former archivist of the organization he had first hand access to records of Scientology's controversial founder, L. Ron Hubbard.

[SHOT: Close up of Armstrong in an office. Don Nab narrating]

Gerald Armstrong: I'm an expert in the misrepresentations Hubbard has made about himself from the beginning of Dianetics until the day he died.

Don Nab: But that's about all that he can say legally. The Church of Scientology slapped Armstrong with a Court Order to prevent him from talking about what he may know.

[SHOT: Excerpt of Video tape of 1986 settlement signing.]

Heller: You are going to sign this of your own free will.

Armstrong: Yes.

[CNN caption: December 1986.]

Heller: OK. You're not suffering from any duress or coersion which is compelling you to sign this document.

[CNN CAPTION: Video provided by Anti-Scientology Attorney.]

Armstrong: No.

.eller: Alright, ...

Don Nab: As part of the lawsuit settlement documented by Scientology on this video tape, the Church paid Armstrong $800,000. In that settlement Armstrong agreed not talk about the Church, it's documents, or its founder.

[1ST SHOT: Wilson and Hertzberg sitting at counsel table.]
[2ND SHOT: Greene arguing at counsel table.]

Don Nab: Now, the Church of Scientology wants to block Armstrong from working with anti-Scientology attorney, Ford Greene.

Ford Greene: Gerald Armstrong possesses information about the Church of Scientology on first-hand basis that undercuts a lot of the claims that they make to the public on a daily basis in advertisements on TV and advertisements in newspapers.

[CNN CAPTION: Ford Greene, Anti-Scientology Attorney.]

SHOT: Bartilson at counsel table with a stack of papers.]

Don Nab: Greene hired Armstrong as a paralegal, to help him with a lawsuit against Scientology in Los Angeles.

[SHOT: Wilson arguing at counsel table.]

Don Nab: Attorneys for the Church of Scientology claimed that Armstrong was breaking his settlement contract.

Andy Wilson: $800,000. $800,000 was paid to that man. And now that he's spent the money, he comes into this court and he says, "I don't have to keep my part of the bargain."

[CNN CAPTION: Andrew Wilson, Scientology Attorney.]

[SHOT: Judge Dufficy at Bench.]

Don Nab: Scientology won this round. The gag on Armstrong remains, for now.

[SHOT: Close up of Armstrong at counsel table.]

Don Nab: Armstrong is not alone. 12 former Scientology members have accepted money to settle lawsuits with the Church.

[SHOT: Pleading packs on counsel table.]

Don Nab: The settlements included, promises to remain quiet and take no part in further litigation against the Church.

[SHOT: Greene in law office.]

Ford Greene: It'll be extremely damaging because Scientology has spent a whole ton of dough, on keeping not only Gerry silent but a lot of other people silent. And if Gerry's case unravels, it's the first domino, and all the rest of them are going to unravel ...

[SHOT: Green in law office with interviewer.]

Don Nab: Attorney Greene says, Armstrong's knowledge of Scientology can prove the Church is not what it says it is.

[SHOT: Outside of the Courtroom. Armstrong and Phippeny prominent.]

Don Nab: Scientology says, Armstrong accepted a lot of money not to discuss the Church and should keep his word. Don Nab, CNN, San Raphael, California.

VERIFICATION

I, Lynn R. Farny, am the Secretary of the Church of Scientology International, plaintiff in this action. I have read the foregoing AMENDED VERIFIED COMPLAINT FOR DAMAGES AND FOR PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF FOR BREACH OF CONTRACT and know the content thereof.

The same is true of my own knowledge, except as to those matters which are therein stated on information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct. Executed this 4th day of June, 1992, at Los Angeles, California.

LYNN R. FARNY
SECRETARY, CHURCH OF
SCIENTOLOGY INTERNATIONAL

PROOF OF SERVICE

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen (18) years and not a party to the within action. My business address is 6255 Sunset Blvd., Suite 2000, Hollywood, CA 90028.

On June 4, 1992, I served the foregoing document described as AMENDED VERIFIED COMPLAINT FOR DAMAGES AND FOR PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF FOR BREACH OF CONTRACT on interested parties in this action as follows:

[ ] by placing the true copies thereof in sealed envelopes as stated on the attached mailing list;

[X] by placing [ ] the original [X] a true copy thereof in a sealed envelope addressed as follows:

Graham Berry **BY U.S. MAIL**
Lewis, D'Amato, Brisbois & Bisgaard
221 N. Figueroa St. Suite 1200
Los Angeles, CA 90012

[x] BY MAIL

[ ] *I deposited such envelope in the mail at Los Angeles, California. The envelope was mailed with postage thereon fully prepaid.

[x] As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at Los Angeles, California in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing an affidavit.

Executed on June 4, 1992 at Los Angeles, California.

[ ] **(BY PERSONAL SERVICE) I delivered such envelopes by hand to the offices of the addressee.

Executed on __________ at Los Angeles, California.

[X] (State) I declare under penalty of the laws of the State of California that the above is true and correct.

[ ] (Federal) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

Laurie J. Badiks ____________________ Signature

* (By Mail, signature must be of person depositing envelope in mail slot, box or bag)

** (For personal service signature must be that of messenger)

PROOF OF SERVICE

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen (18) years and not a party to the within action. My business address is 6255 Sunset Blvd., Suite 2000, Hollywood, CA 90028.

On June 4, 1992, I served the foregoing document described as AMENDED VERIFIED COMPLAINT FOR DAMAGES AND FOR PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF FOR BREACH OF CONTRACT on interested parties in this action as follows:

[ ] by placing the true copies thereof in sealed envelopes as stated on the attached mailing list;

[X] by placing [ ] the original [X] a true copy thereof in a sealed envelope addressed as follows:

Paul Morantz **BY HAND**
P.O. Box 511
Pacific Palisades, CA 90272

[ ] BY MAIL

[ ] *I deposited such envelope in the mail at Los Angeles, California. The envelope was mailed with postage thereon fully prepaid.

[ ] As follows: I am "readily familiar" with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with U.S. postal service on that same day with postage thereon fully prepaid at Los Angeles, California in the ordinary course of business. I am aware that on motion of party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing an affidavit.

Executed on __________ at Los Angeles, California.

[x] **(BY PERSONAL SERVICE) I delivered such envelopes by hand to the offices of the addressee.

Executed on June 4, 1992 at Los Angeles, California.

[X] (State) I declare under penalty of the laws of the State of California that the above is true and correct.

[ ] (Federal) I declare that I am employed in the office of a member of the bar of this court at whose direction the service was made.

__________________________ _______________________________

Signature

* (By Mail, signature must be of person depositing envelope in mail slot, box or bag)

** (For personal service signature must be that of messenger)

PROOF OF SERVICE

STATE OF CALIFORNIA)
) ss.
COUNTY OF LOS ANGELES)

I am employed in the County of Los Angeles, State of California. I am over the age of eighteen (18) years and not a party to the within action. My business address is 235 Montgomery Street, Suite 450, San Francisco, CA 94104.

On June 4, 1992, I served the foregoing document described as AMENDED VERIFIED COMPLAINT FOR DAMAGES AND FOR PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF FOR BREACH OF CONTRACT on interested parties in this action as follows:

[ ] by placing the true copies thereof in sealed envelopes as stated on the attached mailing list;

[X] by placing [ ] the original [X] a true copy thereof in a sealed envelope addressed as follows:

Ford Greene **BY HAND**
Hub Law Offices
711 Sir Francis Drake Boulevard
San Anselmo, CA 9490-1949

[ ] BY MAIL

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GERALD ARMSTRONG

SUPERIOR COURT OF THE STATE OF CALIFORNIA

IN AND FOR THE COUNTY OF LOS ANGELES

CHURCH OF SCIENTOLOGY INTERNATIONAL, a California not-for-profit religious corporation;

Plaintiffs,

vs.

GERALD ARMSTRONG; DOES 1 through 25, inclusive,

Defendants.

No. BC 052395

AMENDED ANSWER OF GERALD ARMSTRONG AND THE GERALD ARMSTRONG CORPORATION TO AMENDED COMPLAINT

Defendant Gerald Armstrong, hereinafter "Armstrong," and The Gerald Armstrong Corporation, hereinafter "TGAC," defendants, hereby jointly submit the following amended answer to the amended complaint of plaintiff, CHURCH OF SCIENTOLOGY INTERNATIONAL, hereinafter "CSI." Although the following Answer may be framed in the singular, it shall be interpreted to refer to both answering defendants unless the referred to event took place before July

1987, in which event said allegation shall apply to Gerald Armstrong as an individual only because prior to said date TGAC did not exist.

1. Armstrong admits there was a settlement agreement entered into in December, 1986, but denies each and every allegation of the rest of this paragraph. Armstrong's only actions have been those necessitated by the violations by the Scientology organization, including CSI, hereinafter the "ORG," of the express terms and spirit of the settlement agreement. It is the ORG which has embarked on a deliberate campaign to breach the provisions of the agreement, and foment litigation, hatred and ill-will against ARMSTRONG.

2. Armstrong admits that he entered into a settlement agreement with the ORG in December 1986 of his cross-complaint in Church of Scientology of California v. Gerald Armstrong, Los Angeles Superior Court No. C 420 153 hereinafter Armstrong I. Armstrong denies that the agreement was for the benefit of numerous third-parties; he asserts that the agreement is to constitute a fraud on courts, nationally and internationally, and upon the public of the World. Armstrong denies that the description of the ORG as a church is true. Armstrong denies CSI's description of him. It is the ORG which sought by litigation and covert means to disrupt Armstrong's activities and life, and which displayed through the years an intense and abiding hatred for Armstrong, and an eagerness to annoy and harass Armstrong by spreading enmity and hatred about him among its employees, customers, victims, in the media, the courts and the world. Armstrong denies that the ORG sought to end Armstrong's covert

activities, because there were no such covert activities, nor to end the litigation. Armstrong denies that the agreement contained carefully negotiated and agreed-upon provisions. Armstrong was not included in one word of the negotiations, which were engineered by the ORG through the compromise of Armstrong's attorney. Armstrong never agreed to the conditions, but did agree with the representations of his attorney that the conditions were unenforceable. Armstrong denies that the ORG bargained for the settlement provisions to put an end to enmity and strife generated by Armstrong because Armstrong generated no such enmity and strife.

3. Armstrong denies that this action arises from his deliberate and repeated breaches of provisions of the agreement. Armstrong denies moreover that he can violate the agreement because its provisions are contrary to public policy and illegal. Armstrong denies that the ORG fully performed its obligations under the agreement; rather, it violated both the letter and spirit from the date of its signing. Armstrong denies that he never intended to keep his part of the bargain. Armstrong admits that, based on the representations of his lawyer that the referenced provisions were unenforceable and that the ORG lawyers also knew they were unenforceable, he also considered said provisions unenforceable. Armstrong denies that he ever extracted money from the ORG. Armstrong denies that in June 1991 he had finished spending his money. In August 1990 Armstrong had given away all his assets for reasons unrelated to the ORG, except that he evaluated that because the ORG committed so much harm with its billions of dollars there was no reason not to give his money

away, and that it was better to combat the ORG's tyranny without money than not to combat it with wheelbarrow loads of it. Armstrong denies that in June, 1991 he began any campaign, provided any confidential information to anyone, copies of any agreement, declarations, and paralegal assistance to any litigants. Armstrong denies that the ORG repeatedly demanded that Armstrong end his constant and repeated breach of the provisions of the agreement. There has never been a constant and repeated breach of the provisions of the agreement by Armstrong, nor has there ever been a repeated demand from the ORG.

4. Armstrong denies that the ORG bargained for peace. Armstrong admits that the ORG requests liquidated damages, but denies that the ORG is due such damages pursuant to the terms of the agreement, and states that said liquidated damages are invalid. By its acts in violation of the agreement the ORG has sacrificed its right to any relief, including damages. It is Armstrong who is due liquidated damages. Armstrong denies that the ORG requests injunctive relief to prevent additional and future breaches by Armstrong. There have been no breaches by Armstrong and there can be no future breaches by Armstrong because of the ORG's violations of the agreement and because the agreement itself is contrary to public policy and illegal.

5. Armstrong denies CSI's description of itself. Armstrong admits that CSI is incorporated under the laws of the State of California and has its principal offices in Los Angeles. Armstrong denies that Scientology is a religion. Scientology employs a self-ascribed religious status so as to exploit the extraordinary benefits conferred by the religious liberty clauses

of the First Amendment to the United States Constitution.

6. Armstrong admits that he is a resident of Marin County, California.

7. Armstrong lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph and is therefore unable to admit or deny the same.

8. Armstrong admits the truth of the averments in this paragraph.

9. Armstrong admits that the agreement was entered into with the participation of respective counsel, but denies that it was after full negotiation. Armstrong denies that the provisions of the agreement were carefully framed by the parties and their counsel to accurately reflect the agreement of the parties. Armstrong only participated in the framing of one provision in the agreement, the one allowing him to keep his art. Armstrong was, in fact, carefully kept in the dark concerning the settlement provisions by the ORG and his counsel. The provisions, moreover, do not contain the actual agreement of the parties concerning their unenforceability. Nor do they contain the agreement whereby the ORG contracted with Armstrong's lawyer to not represent him in future litigation regarding the agreement. And they do not contain the agreement whereby Armstrong's lawyer would assist the ORG in allowing it to attack Armstrong without his response, nor the side indemnity agreement and other agreements with Armstrong's lawyer for a collusive appeal and rigged retrial of the underlying action. The purpose of the agreement was to engineer a reversal of Judge Breckenridge's 1984 decision holding for Armstrong on Scientology's complaint against Armstrong in Armstrong I.

10. Armstrong denies the totality of this paragraph. There never was a series of covert activities by Armstrong intended to discredit ORG leaders, spark government raids, create phony "evidence" of wrongdoing against the ORG and ultimately destroy the ORG and its leadership.

11. Armstrong admits that when asked by ORG lawyer Lawrence Heller during the videotaped signing of the settlement agreement if he was acting of his own free will he said he was. Armstrong was, however, under great duress resulting from years of ORG abuse, threats and attacks, his manipulation by the ORG through his attorney as a deal-breaker during the settlement, and his knowledge of ORG policies of hatred and vindictiveness. Armstrong denies that in later 1991 he revealed for the first time that he believed at the time the agreement was signed the provisions were unenforceable. Armstrong put his opinion of the provisions' unenforceability in his declaration dated March 15, 1990, which the ORG received within a week of that date. Moreover, Armstrong's lawyer, Michael Flynn, advised Armstrong that he had advised the ORG in December 1986, before the agreement was signed that the provisions were unenforceable.

12. Armstrong does not answer these allegations of this paragraph inasmuch as they have been stricken by court order.

13. Armstrong admits the averments of this paragraph.

14. Armstrong admits the averments of this paragraph.

15. Armstrong admits the averments of this paragraph.

16. Armstrong denies each and every averment of this paragraph.

17. In answering the averments contained in this paragraph

wherein CSI adopts by reference paragraphs 1 through 16 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

18. Armstrong admits the averments of this paragraph, but denies that the Aznarans were Scientology parishioners; they were Scientology victims. Scientology is not a religion.

19. Armstrong admits the averments of this paragraph.

20. Armstrong admits that while Yanny was acting as the Aznarans' counsel he asked Armstrong to help him, but denies that Yanny hired him as paralegal to work on the Aznaran case.

21. Armstrong admits that he agreed to travel to Los Angeles from Marin Country but denies that he asked Yanny to pay him $500.00 for his proposed help.

22. Armstrong admits the averments of this paragraph except that he denies that he provided "paralegal assistance." Armstrong did assist in drafting two evidentiary declarations, which he personally executed as a witness.

23. Armstrong lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph and is therefore unable to admit or deny the same.

24. Armstrong denies each and every averment of this paragraph.

25. Armstrong denies each and every averment of this paragraph. Whatever assistance Armstrong gave Yanny in the Aznaran litigation caused the ORG no damage, but assisted it in its publicly stated goal of peace.

26. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16 and 18 through 25 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

27. Armstrong admits the averments of this paragraph except that he denies that Yanny indicated to CSI's counsel that he represented Armstrong, and Armstrong denies that there exists any order of injunction prohibiting Yanny from representing Armstrong in any manner whatsoever in any matters relating to anyone.

28. Armstrong lacks knowledge or information sufficient to form a belief as to the truth of the averments in this paragraph and is therefore unable to admit or deny the same.

29. Armstrong denies each and every averment of this paragraph. Armstrong adds, moreover, that if, as the ORG alleges, the Court in RTC v. Yanny rejected Yanny's defense which was supported by Armstrong's declarations, Armstrong could not with those declarations have aided Yanny.

30. Armstrong admits that he attached the settlement agreement to his July 16, 1991 declaration as an exhibit, but denies that he had agreed to keep the terms of the agreement confidential. Armstrong was under duress when signing the agreement and did not ever agree with the unenforceable conditions of the agreement including confidentiality regarding the agreement itself. Nevertheless, he did not discuss the agreement until after it was made public by the California Court of Appeal. Armstrong filed the agreement under seal in the Court of Appeal in

February, 1990 in order to prevent a fraud upon the Court being perpetrated by the ORG, and it was the Court of Appeal which sua sponte unsealed the agreement. But prior to filing the agreement in the Court of Appeal, Armstrong had already been relieved of any conceivable obligation to keep the agreement confidential by the ORG's divulging of its contents in other litigations, and therefore waiving any right to have it remain confidential thereafter.

31. Armstrong admits that he has never paid the ORG $50,000, but denies that the ORG has ever demanded payment of $50,000, denies that he owes $50,000 to the ORG for anything and denies that whatever he has done at any time was a breach of the agreement. The agreement is illegal and against public policy and the ORG has by its own acts sacrificed any right it ever may have had to enforce any of its provisions.

32. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25 and 27 through 31 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

33. Armstrong admits the averments of this paragraph.

34. Armstrong admits that in August 1991 he began working in Ford Greene's office and that his paralegal duties at that time involved work on the Aznaran case. Armstrong denies that thereafter the Aznarans hired John Elstead. Armstrong admits that his employment in Greene's office has continued to the present, but he denies that his activities constitute a daily and

continuing breach of any contract. The ORG's bargain has been rendered a nullity, because it is the ORG which has, through its attacks on Armstrong, its overweening reliance on Fair Game and similar antisocial policies, and its attempt to force upon the world an agreement illegal in the first place, done it to itself.

35. Armstrong denies each and every averment of this paragraph.

36. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31 and 33 through 35 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

37. Armstrong admits the averments of this paragraph except that he denies that any of his actions are violations of the agreement and that he is required to pay the ORG one penny in liquidated damages.

38. Armstrong admits that he has not paid the ORG $50,000, but denies that the ORG ever made a demand for $50,000 and denies that whatever he has done is a breach of the agreement.

39. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35 and 37 and 38 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

40. Armstrong admits the averments of this paragraph except

that he denies that the press release violated the agreement and that the press release constituted disclosures of his experiences with Scientology. Statements containing the same facts and similar language are contained in the public file in this case in which the ORG has sued Armstrong; therefore there is in the press release no disclosure. Moreover, the ORG, by itself using Armstrong's experiences in its litigations and to attack Armstrong after the settlement lost any right it may have once had to complain of Armstrong's discussing his experiences to counter its attacks. The agreement's confidentiality provisions are antithetical to civilized conduct, impossible to perform, contrary to public policy and illegal.

41. Armstrong admits the averments of this paragraph except that he denies that the distribution of the press release violated the provisions of the agreement. By suing Armstrong publicly, by attacking him publicly and by making public itself the conditions of the agreement, including filing the agreement in open court, the ORG waived any right it may have once had to object to Armstrong's public discussion of the litigation or the agreement it concerned. The agreement, moreover, is illegal; therefore it is unenforceable and Armstrong is not bound by any part of it.

42. Armstrong denies each and every averment of this paragraph.

43. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38 and 40 through 42 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred

with respect to those specific paragraphs as previously set forth in this answer.

44. Armstrong admits that on March 20, 1992 he and Greene granted the media interviews, but denies that such interviews were additional. Armstrong denies that any such interviews violated any part of the agreement. Armstrong admits that he stated that he is an expert in the misrepresentations Hubbard made about himself from the beginning of Dianetics until the day he died. Armstrong admits that he is such an expert. Armstrong lacks the information and knowledge sufficient to form a belief as to the truth of the averment in this paragraph that Exhibit C to the ORG's complaint is a true and correct transcription of the CNN broadcast and is therefore unable to admit or deny the same.

45. Armstrong denies each and every averment of this paragraph.

46. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42 and 44 and 45 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

47. Armstrong admits that he agreed to appear voluntarily as an expert witness in the Hunziker case. He denies that his expertise is alleged and denies that his expertise is such that it should be set off in the ORG's complaint in quotation marks. He denies that his expertise is in Scientology, but rather in the fraud of Scientology and the ORG's doctrine of Fair Game.

Armstrong admits that the World Institute of Scientology Enterprises, Inc. is named as a defendant in the Hunziker case, admits that it is an ORG dominated entity, but denies that it, nor any other ORG entity, is protected by the agreement.

48. Armstrong admits that he met with Rummonds and Elstead, attorneys for plaintiffs in the Hunziker case, but denies that he discussed his experiences with any entities protected by the agreement. Armstrong denies that any entities are protected by the agreement because it is unenforceable on its face and, moreover, has been rendered void by the ORG's post-settlement attacks on Armstrong and its illegal efforts at enforcement. Armstrong admits that he agreed to appear for plaintiffs as an expert on the aspects of Scientology practices and beliefs of fraud and Fair Game.

49. Armstrong admits the averments of this paragraph except that he denies that he testified at length concerning CSI or any other ORG affiliated entities and individuals protected by the agreement, because no entities or individuals are protected by the agreement due to the ORG's acts to contravene it.

50. Armstrong admits that he produced documents during his March 3, 1992 deposition but denies that there are any documents referred to in paragraph 46 of the ORG's complaint. Armstrong denies moreover that any documents he produced at the deposition were in violation of any agreement.

51. Armstrong admits that he appeared for a deposition on or about March 12, 1992 in the Hunziker case. He denies that he claimed he had been given a subpoena not by the deposing attorney. Armstrong admits that he said he had been given a deposition

subpoena by attorney Elstead and that Elstead had filled out the subpoena that morning. Armstrong admits that he refused to produce the subpoena, but lacks the information or knowledge to admit or deny the averment that it was not served on any of the parties to the case. Armstrong admits that he delivered documents to Elstead on or about March 8, 1992 and requested that he be served with a subpoena, but denies that his delivery of documents was in violation of the agreement.

52. Armstrong lacks the information or knowledge sufficient to form a belief as to what the ORG learned in April 1992 so as to that averment he cannot either admit or deny this allegation. Armstrong does deny that he reacquired any documents which he had previously returned to the ORG. And he denies that he produced any such documents either to Elstead or to opposing counsel at any time.

53. Armstrong denies each and every averment of this paragraph.

54. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45 and 47 through 52 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

55. Armstrong denies each and every averment of this paragraph except that he did testify on or about April 7, 1992 in the Yanny case. The ORG compelled Armstrong to testify on that date in that case. The ORG filed the agreement publicly months

before this deposition, and the ORG had forced Armstrong to file the agreement in the Court of Appeal, which sua sponte, unsealed it, because of the ORG's efforts to make him a party to its subversion of the justice system. The ORG, moreover, divulged the contents of the agreement at least as early as 1989, thus giving up any right it may have had to keep it confidential.

56. Armstrong denies each and every averment of this paragraph.

57. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52 and 55 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

58. Armstrong denies each and every averment of this paragraph.

59. Armstrong admits that he gave a declaration in the Aznaran litigation on August 26, 1991, but denies that his action was a violation of any provision of the agreement.

60. Armstrong admits that his declaration attached as exhibits the two documents referred to in paragraph 58 of the ORG's complaint, but denies that said attachment was in breach of any provisions of the agreement.

61. Armstrong denies each and every averment of this paragraph.

62. Armstrong denies each and every averment of this paragraph.

63. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55 and 58 through 60 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

64. Armstrong lacks the information or knowledge sufficient to form a belief as to what the ORG learned in March 1992 so as to that averment he cannot either admit or deny.

65. Armstrong denies each and every averment of this paragraph.

66. Armstrong denies each and every averment of this paragraph. He denies moreover that his giving voluntary assistance to anyone not only does not harm the ORG but assists the ORG, and that such voluntary assistance to anyone cannot be proscribed by any agreement, and that any agreement which attempts to proscribe voluntary assistance is against public policy, violative of the Constitutional right to freedom of speech, association, press and religion, and is unenforceable.

67. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60 and 64 and 65 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

68. Armstrong admits the averments of this paragraph, but denies that ORG entities CSI, CSC and RTC are protected by the agreement, because they cannot be protected legally by an illegal contract and they have acted themselves to vitiate and waive whatever protection they might at one time have had, if any.

69. Armstrong admits that in his May 27, 1992 declaration he did authenticate another declaration he had executed earlier. Armstrong lacks the information or knowledge sufficient to form a belief as to whether the transcript had at one time been ordered sealed in the earlier action between him and the ORG, so as to that averment he cannot either admit or deny. The transcript, however, has been a public document since 1982, and the tape recordings from which the transcript had originated have been found by the 9th Circuit Court of Appeals to contain evidence of criminal fraud and were released to the Criminal Investigation Division of the IRS. Armstrong denies that any of his acts are violations of any paragraphs of the agreement and denies that he is required to pay one cent to CSI.

70. Armstrong denies each and every averment of this paragraph.

71. In answering the averments contained in this paragraph wherein CSI adopts by reference paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65 and 68 and 69 of its averments, Armstrong admits, denies and avers to the same effect and in the same manner as he admitted, denied and averred with respect to those specific paragraphs as previously set forth in this answer.

72. Armstrong denies each and every averment of this paragraph.

73. Armstrong denies each and every averment of this paragraph.

74. Armstrong denies each and every averment of this paragraph.

75. Armstrong denies each and every averment of this paragraph.

AFFIRMATIVE DEFENSES

Allegation Common To All Affirmative Defenses

76. Plaintiff is a single component of the Scientology Organization ("ORG") that, along with all of the Scientology-related beneficiaries of the settlement are subject to a unity of control exercised by David Miscavige. Plaintiff and all other Scientology-related organizations, entities and individuals were created by David Miscavige and his attorneys as an attempt to avoid payment of taxes and civil judgments and to confuse courts and those seeking redress for the civil and criminal misconduct of Miscavige and all other Scientology-related organizations, entities and individuals. Due to the unity of personnel, commingling of assets, and commonality of business objectives, any effort by plaintiff to separate itself as being independent and separate should be disregarded.

FIRST AFFIRMATIVE DEFENSE

(Failure To State A Cause Of Action)

77. Further answering said first amended complaint, and as a first, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein

each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69 and 72 through 75 herein and allege as follows:

The complaint and each cause of action contained herein fails to state a cause of action against these defendants upon which relief can be granted.

SECOND AFFIRMATIVE DEFENSE

(This Court Cannot Enjoin The Practice Of A Profession)

78. Further answering said first amended complaint, and as a second, separate and affirmative defense thereto, these answering defendants allege as follows:

Any attempt by plaintiff to limit the ability to obtain gainful employment by these answering defendants, or any of them, is void and unenforceable as a matter of public policy, and constitutes an unenforceable restraint on the right of defendants, or any of them, to pursue their chosen profession.

THIRD AFFIRMATIVE DEFENSE

(Unclean Hands)

79. Further answering said first amended complaint, and as a third, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 77, 78, and 80 through 88 herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants and/or obtaining the equitable relief requested herein under the doctrine of unclean hands.

FOURTH AFFIRMATIVE DEFENSE

(In Pari Delicto)

80. Further answering said first amended complaint, and as a fourth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 77 through 79, and 81 through 88, herein and allege as follows:

Notwithstanding the things alleged of defendants in the complaint, which are denied in the applicable paragraphs herein, plaintiffs' and its counsels' conduct in connection with the events giving rise to this action bars plaintiff from recovery with regard to the complaint under the doctrine of in pari delicto.

FIFTH AFFIRMATIVE DEFENSE

(Illegality)

81. Further answering said first amended complaint, and as a fifth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 77 through 80, and 82 through 88, herein and allege as follows:

Plaintiff is barred from bringing this action as a result of its acts of illegality in connection with matters that give rise to this case. Particularly plaintiff and other Scientology-related entities engaged in a wholesale attempt to obstruct justice, suppress evidence in order to deny redress, due process, and equal protection of the law to its civil and criminal victims by means of obtaining settlements of litigation in actions in various state and federal courts across the United States. In each of those actions attorney Michael J. Flynn was attorney of record, or coordinating counsel for litigants adverse to Scientology. In each of those actions litigants adverse to Scientology were coerced into signing secret settlement agreements the terms of which were substantially similar to those set forth in the settlement agreement at issue herein.

Plaintiff is further barred from bringing this action because as a material part of entering the settlement agreement with defendant, plaintiff required defendant's counsel, Michael Flynn, to sign secret side agreements for indemnification for resolution of the retrial of Armstrong I were plaintiff and other Scientology-related entities successful in obtaining reversal of Judge Breckenridge's decision on appeal. In such agreement Scientology promised to limit its collections of damages to $25,001.00 and to indemnify Flynn for the payment thereof and Flynn, in turn, would indemnify Armstrong for any such judgment. The existence of these secret, side agreements were never disclosed to Armstrong by Flynn, plaintiff, or other Scientology-related entities.

Plaintiff is further barred from bringing this action because as a material part of entering said settlement agreements, it or its agents required attorney Flynn to promise never to take any anti-Scientology cases in the future. Thereafter, although Flynn has refused to provide any declarations for defendant Armstrong, he has been willing to provide documentary assistance to Scientology.

Plaintiff is further barred from bringing this action as a result of its acts of illegality in connection with the commission of acts giving rise to the action entitled Aznaran v. Church of Scientology of California, Case No C88-1786 JMI (Ex) in the United States District Court for the Central District of California (the "Aznaran case"); conduct by plaintiff, its counsel and others, including but not limited to the making of certain settlement proposals to Barry Van Sickle, Esq., for direct communication to Vicki and Richard Aznaran ("the Aznarans") knowing that Van Sickle had been disqualified from representing the Aznarans, and knowing that the Aznarans at the time were represented by Ford Greene and participating in conduct which resulted in the Aznarans (in hopes of facilitating settlement and in accordance with plaintiff's conditions) dismissing their counsel, Ford Greene, whereupon while the Aznarans were in pro per, plaintiff withdrew any offer of settlement and commenced loading up the record with voluminous, sophisticated and dispositive motions, including but not limited to two for summary judgment. In consequence thereof defendant Armstrong only provided aid and assistance to counsel whom the Aznarans subsequently employed for the purpose of preserving their rights to redress, due process and equal protection of the law.

Furthermore, other acts of illegality by plaintiff and other

Scientology-related entities have been publicly documented. Plaintiffs have engaged in acts of impropriety, as set forth above, and including what the District Court in the Aznaran case referred to in a written order, entered after most of the events in issue herein, as "outrageous litigation tactics." Also, in addition to the Flynn settlement agreements the conduct of plaintiff and other Scientology-related organizations, entities and individuals against persons "adverse to Scientology" including citizens, counsel, judges and government authorities (including but not limited to illegal surveillance, obtaining telephone company records, breaking and entering, threatening conduct, and violence) have discouraged and intimidated knowledgeable persons from disclosing their knowledge about, or otherwise coming forward against, the illegal activities of plaintiff and other Scientology-related organizations, entities and individuals, and from assisting victims thereof to obtain redress, due process and equal protection of the law.

SIXTH AFFIRMATIVE DEFENSE

(Fraud and Deceit)

82. Further answering said first amended complaint, and as a sixth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, and 81 through 88, herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, because of its fraud and deceit in representing to defendants, and each of them, that its management had changed and no longer would engage in illegal activities, that it wanted to buy peace, that it would leave defendants, and each of them alone, and that the false affidavit that it required Armstrong to sign as a condition of the settlement would be disclosed only if Armstrong attacked the ORG. Plaintiff made the foregoing representations to defendants, and each of them, with knowledge of the falsity thereof at the time said representations were made and with the intent to deceive defendants, and each of them, who actually and justifiably relied on those material misrepresentations to their injury by signing the settlement agreement. In fact, plaintiff and other Scientology-related organizations, entities and individuals never intended to cease their illegal and immoral activities, never intended to buy peace with defendants, and each of them, never intended to leave Armstrong alone, never intended not to use the false declaration only if Armstrong attacked the ORG, and never intended to abide by the terms of the settlement agreement. Rather plaintiff and other Scientology-related entities intended to use the settlement agreement as a tool for the implementation of the Fair Game Policy and Scientology's litigation tactics so as to engineer a reversal of Judge Breckenridge's decision in Armstrong I, to collusively resolve any re-trial of Armstrong I, to obtain possession of the so-called MCCS tapes which were evidence of Scientology employing attorneys for the purpose of committing future crimes and frauds, to use the false declaration in other litigation without regard to Armstrong's conduct, and to otherwise obstruct justice and suppress evidence of facts which discredited plaintiff and other

Scientology-related entities.

Said Fair Game Policy states that any enemy of Scientology "[m]ay be deprived of property or injured by any means by any Scientologist without any discipline of the Scientologist. May be tricked, sued or lied to or destroyed."

Scientology's litigation strategy is as follows:

"The law can be used very easily to harass, and enough harassment on somebody who is simply on the thin edge anyway, well knowing that he is not authorized, will generally be sufficient to cause his professional decease. If possible, of course, ruin him utterly."

From the outset, prior to the execution of the settlement agreement with defendant, and the execution of all other Flynn settlement agreements, it was the intent of plaintiff and other Scientology-related organizations, entities and individuals to continue to wage war on and harass Armstrong, to continue to engage in illegal activities and conduct, and to suppress evidence and obstruct justice by means of said agreements and to use said agreements as a tool of Fair Game and the litigation strategy of ruin in order to ensure that information regarding Scientology's crimes and civil misconduct would stay suppressed, and its criminal and civil victims would be denied legal redress and justice.

Moreover, Flynn advised Armstrong that he would always be available in the future to represent Armstrong if Armstrong had to litigate with the ORG in the future. Said statement was false and misleading because Flynn had signed an agreement with the ORG promising not to represent anti-ORG litigants in the future. Armstrong relied on the truth of Flynn's statement in signing the settlement agreement.

SEVENTH AFFIRMATIVE DEFENSE

(Estoppel)

83. Further answering said first amended complaint, and as a seventh, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81, 82 and 84 through 88, herein and allege as follows:

Plaintiff is equitably estopped from asserting each and all of the purported causes of action in the complaint by reason of its own acts, omissions, and conduct, or that of its agents, including, but not limited to the fact that it violated the settlement agreement in that it or its agents provided information from Armstrong I that was the subject of the settlement agreement to various persons and in various litigation including but not limited to The London Sunday Times, The Los Angeles Times, the instant litigation, the Corydon litigation, and in Church of Scientology of California v. Russell Miller and Penguin Books Limited in the High Court of Justice, Case No. 6140 in London, England, where a Scientology-related entity filed multiple affidavits attacking defendant Armstrong.

As yet a further basis for barring plaintiff on the ground of estoppel, defendant has requested plaintiff and other Scientology-related entities to release Flynn and his other former attorneys from the agreements they signed never to represent Armstrong again, and plaintiff and said entities have refused to do so.

EIGHTH AFFIRMATIVE DEFENSE

(Waiver)

84. Further answering said first amended complaint, and as an eighth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81, 82, and 83, herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, by reason of their own acts, omissions and conduct, or that of its agents.

NINTH AFFIRMATIVE DEFENSE

(Mistake Of Law)

85. Further answering said first amended complaint, and as a ninth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 84, and 86 through 88, herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, because defendant Armstrong's former attorney, Michael Flynn, advised said defendant that the provisions of the settlement agreement that plaintiff is seeking to enforce herein were not in any way enforceable. Armstrong relied on such representations, but for which he would not have signed said settlement agreement.

TENTH AFFIRMATIVE DEFENSE

(Mistake Of Fact)

86. Further answering said first amended complaint, and as a tenth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 85, 87, and 88, herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, because defendant Armstrong's former attorney, Michael Flynn, advised said defendant that the provisions of the settlement agreement that plaintiff is seeking to enforce herein were not in any way enforceable. Armstrong relied on such representations, but for which he would not have signed said settlement agreement.

ELEVENTH AFFIRMATIVE DEFENSE

(Conflict of Interest)

87. Further answering said first amended complaint, and as a tenth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18

through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 86, and 88, herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, because defendant Armstrong's former attorney, Michael Flynn, in conjunction with settling Armstrong's case against Scientology-related entities, also settled 30 other cases, including cases of his own against Scientology-related defendants without procuring outside counsel for defendant.

TWELFTH AFFIRMATIVE DEFENSE

(Duress and Undue Influence)

88. Further answering said first amended complaint, and as a Twelfth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 87, herein and allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, because plaintiff and other Scientology-related organizations, entities and individuals had implemented Fair Game Policy stratagems on defendant Armstrong's attorney, Michael J. Flynn and upon other anti-Scientology litigants and would continue such conduct against all such persons unless all said anti-Scientology litigants, including Flynn, signed settlement agreements substantially similar to that signed by defendant Armstrong.

Further, in early December 1986, attorney Flynn and other anti-Scientology litigants, postured Armstrong as a deal breaker, by stating that their desires to settle would be ruined unless defendant Armstrong agreed to settle and led him to believe if he did not sign the agreement, they would not cooperate in such event by acting as Armstrong's witnesses and zealous advocate on the trial of his cross-complaint against Scientology set to commence shortly thereafter in Armstrong I.

THIRTEENTH AFFIRMATIVE DEFENSE

(Laches)

89. Further answering said first amended complaint, and as a thirteenth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds of laches.

FOURTEENTH AFFIRMATIVE DEFENSE

(Impossibility)

90. Further answering said first amended complaint, and as a fourteenth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds of impossibility.

FIFTEENTH AFFIRMATIVE DEFENSE

(Frustration of Contractual Purpose)

91. Further answering said first amended complaint, and as a fifteenth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds of frustrating defendants', and each of their, ability to perform the terms of the settlement agreement.

SIXTEENTH AFFIRMATIVE DEFENSE

(Unfair and Unreasonable Contract)

92. Further answering said first amended complaint, and as a sixteenth separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement is unreasonable and unfair as to defendant Armstrong.

SEVENTEENTH AFFIRMATIVE DEFENSE

(Lack of Mutuality)

93. Further answering said first amended complaint, and as a seventeenth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement, as interpreted by plaintiff, lacks in reciprocity and mutuality.

EIGHTEENTH AFFIRMATIVE DEFENSE

(Ambiguity)

94. Further answering said first amended complaint, and as a eighteenth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement in ambiguous and incapable of enforcement.

NINETEENTH AFFIRMATIVE DEFENSE

(Lack of Adequate Consideration)

95. Further answering said first amended complaint, and as a nineteenth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement is not supported by adequate consideration.

TWENTIETH AFFIRMATIVE DEFENSE

(Unconscionability)

96. Further answering said first amended complaint, and as a twentieth separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement is unconscionable.

TWENTY-FIRST AFFIRMATIVE DEFENSE

(Adhesion)

97. Further answering said first amended complaint, and as a twenty-first, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement is a contract of adhesion.

TWENTY-SECOND AFFIRMATIVE DEFENSE

(Hardship)

98. Further answering said first amended complaint, and as a twenty-second, separate and affirmative defense thereto, these

answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement would work an unfair hardship on defendants, and each of them.

TWENTY-THIRD AFFIRMATIVE DEFENSE

(Offset)

99. Further answering said first amended complaint, and as a twenty-third, separate and affirmative defense thereto, these answering defendants allege as follows:

Any damages that plaintiff has suffered in consequence of the alleged conduct is exceeded by the damages suffered by defendants, and each of them, in consequence of the misconduct of plaintiff, and plaintiff's agents' acts of Fair Game and therefore plaintiff should take nothing.

TWENTY-FOURTH AFFIRMATIVE DEFENSE

(Liquidated Damages Act As Penalty)

100. Further answering said first amended complaint, and as a twenty-fourth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement's provision of liquidated damages is not an approximation of damage, but is intended to act and does act as a penalty.

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TWENTY-FIFTH AFFIRMATIVE DEFENSE

(First Amendment - Religion)

101. Further answering said first amended complaint, and as a twenty-fifth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement violates defendants', and each of them, right to freedom of religion guaranteed by the state and federal constitutions.

TWENTY-SIXTH AFFIRMATIVE DEFENSE

(First Amendment - Speech)

102. Further answering said first amended complaint, and as a twenty-sixth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement violates defendants', and each of them, right to freedom of speech guaranteed by the state and federal constitutions.

TWENTY-SEVENTH AFFIRMATIVE DEFENSE

(First Amendment - Press)

103. Further answering said first amended complaint, and as a twenty-seventh, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement violates defendants', and each of them, right to freedom of press guaranteed by the state and federal constitutions.

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TWENTY-EIGHTH AFFIRMATIVE DEFENSE

(First Amendment - Association)

104. Further answering said first amended complaint, and as a twenty-eighth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the settlement agreement violates defendants', and each of them, right to freedom of association guaranteed by the state and federal constitutions.

TWENTY-NINTH AFFIRMATIVE DEFENSE

(Privacy)

105. Further answering said first amended complaint, and as a twenty-ninth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants', and each of them, on the grounds that the settlement agreement violates defendants, and each of them, right of privacy guaranteed by the state and federal constitutions.

THIRTIETH AFFIRMATIVE DEFENSE

(Implied Covenant of Good Faith and Fair Dealing)

106. Further answering said first amended complaint, and as a thirtieth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from bringing this action against these defendants, and each of them, on the grounds that the conduct of plaintiff and its agents violates the implied covenant of good faith and fair dealing.

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THIRTY-FIRST AFFIRMATIVE DEFENSE

(Justification - Defense of Another, Interests of Third Persons, and the Public)

107. Further answering said first amended complaint, and as a thirty-first, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 88, herein and allege as follows:

At all relevant times, the acts of these answering defendants were privileged and justified because they were done in the defense of others, the interests of third parties, the interests of justice, and the interests of the public.

THIRTY-SECOND AFFIRMATIVE DEFENSE

(Res Judicata)

108. Further answering said first amended complaint, and as a thirty-second, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff's complaint, and plaintiff's claims for equitable relief and for damages, are barred by the doctrine of res judicata.

THIRTY-THIRD AFFIRMATIVE DEFENSE

(Collateral Estoppel)

109. Further answering said first amended complaint, and as a thirty-second, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff's complaint, and plaintiff's claims for equitable relief and for damages, are barred by the doctrine of collateral estoppel.

THIRTY-FOURTH AFFIRMATIVE DEFENSE

(Failure to Mitigate Damages)

110. Further answering said first amended complaint, and as a thirty-fourth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff, and/or its agent, and/or its counsel, failed to take proper and reasonable steps to avoid or mitigate the damages alleged in the amended complaint, and to the extent of such failure to mitigate or to avoid, damages allegedly incurred by plaintiff, if any, should be reduced accordingly.

THIRTY-FIFTH AFFIRMATIVE DEFENSE

(Action Barred By Equity and Civil Code Provisions)

111. Further answering said first amended complaint, and as a thirty-fifth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 88, herein and allege as follows:

Plaintiff is barred from judicial relief by the general principles of equity and the specific provisions of Part IV of the Civil Code, including but not limited to §§ 3512, 3517, 3519, 3524, (without any admission of wrongdoing by defendants) and 3533.

THIRTY-SIXTH AFFIRMATIVE DEFENSE

(Void As Against Public Policy)

112. Further answering said first amended complaint, and as a thirty-sixth, separate and affirmative defense thereto, these answering defendants repeat, reallege and incorporate by reference herein each and every allegation contained in paragraphs 1 through 16, 18 through 25, 27 through 31, 33 through 35, 37, 38, 40 through 42, 44, 45, 47 through 52, 54, 55, 58 through 60, 64, 65, 68, 69, 72 through 75, 81 through 88, herein and allege as follows:

Plaintiff is barred from judicial relief because the settlement agreement is void as against public policy.

THIRTY-SEVENTH AFFIRMATIVE DEFENSE

(The Settlement Agreement Cannot Be Specifically Enforced)

113. Further answering said first amended complaint, and as a thirty-seventh, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the settlement agreement cannot be specifically enforced.

THIRTY-EIGHTH AFFIRMATIVE DEFENSE

(The Settlement Agreement Cannot Be Specifically Performed)

114. Further answering said first amended complaint, and as a thirty-eighth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the settlement agreement cannot be specifically performed.

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THIRTY-NINTH AFFIRMATIVE DEFENSE

(Due Process)

115. Further answering said first amended complaint, and as a thirty-ninth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives defendants, and each of them, other third parties and the public of due process of law as protected by the state constitution and by the Fifth and Fourteenth Amendments to the federal constitution.

FORTIETH AFFIRMATIVE DEFENSE

(Equal Protection)

116. Further answering said first amended complaint, and as a thirty-ninth, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives defendants, and each of them, other third parties and the public of equal protection of law as guaranteed by the state constitution and by the federal constitution.

FORTY-FIRST AFFIRMATIVE DEFENSE

(Right to Counsel)

117. Further answering said first amended complaint, and as a forty-first, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the settlement agreement deprives defendants, and each of them, other third parties and the public of their right to counsel as protected by the state constitution and by the Sixth Amendment to the federal constitution.

FORTY-SECOND AFFIRMATIVE DEFENSE

(Public Domain)

118. Further answering said first amended complaint, and as a forty-second, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the information that defendants, and each of them, are accused of disclosing is in the public domain.

FORTY-THIRD AFFIRMATIVE DEFENSE

(Privilege)

119. Further answering said first amended complaint, and as a forty-third, separate and affirmative defense thereto, these answering defendants allege as follows:

Plaintiff is barred from judicial relief because the acts that defendants, and each of them, are accused of having committed are privileged.

DEMAND FOR JURY TRIAL

Defendants, and each of them, hereby demand this case be tried by a jury.

WHEREFORE, Defendant Armstrong prays for relief as follows:

1. That CSI takes nothing by its complaint;
2. That Armstrong recover his costs of suit herein;
3. That Armstrong recover his attorney's fees and costs of defending the suit herein;
4. That the Court award such further relief as it may deem proper.

Respectfully submitted,

DATED: October 7, 1992

HUB LAW OFFICES

By:
FORD GREENE
Attorney for Defendant

VERIFICATION

I, the undersigned, am one of the defendants in the above entitled action. I know the contents of the foregoing Amended Answer to Amended Complaint I certify that the same is true of my own knowledge, except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct according to the laws of the State of California and that this declaration was executed on October 7, 1992 at San Anselmo, California.

By:____________________
GERALD ARMSTRONG

VERIFICATION

I, the undersigned, am an officer of defendant The Gerald Armstrong Corporation in the above entitled action. I know the contents of the foregoing Amended Answer to Amended Complaint I certify that the same is true of my own knowledge, except as to the matters which are therein stated upon my information and belief, and as to those matters, I believe them to be true.

I declare under penalty of perjury that the foregoing is true and correct according to the laws of the State of California and that this declaration was executed on the October 7, 1992 at San Anselmo, California.

By:

GERALD ARMSTRONG

PROOF OF SERVICE

I am employed in the County of Marin, State of California. I am over the age of eighteen years and am not a party to the above entitled action. My business address is 711 Sir Francis Drake Boulevard, San Anselmo, California. I served the following documents: AMENDED ANSWER OF GERALD ARMSTRONG AND THE GERALD ARMSTRONG CORPORATION TO AMENDED COMPLAINT on the following person(s) on the date set forth below, by placing a true copy thereof enclosed in a sealed envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California:

Andrew Wilson, Esquire
WILSON, RYAN & CAMPILONGO
235 Montgomery Street, Suite 450
San Francisco, California 94104

LAURIE J. BARTILSON, ESQ.
Bowles & Moxon
6255 Sunset Boulevard
Suite 2000
Los Angeles, California 90028

Graham E. Berry, Esquire
LEWIS, D'AMATO, BRISBOIS & BISGAARD
221 North Figueroa Street. Suite 1200
Los Angeles, California 90012

PAUL MORANTZ, ESQ.
P.O. Box 511
Pacific Palisades, CA 90272

[x] (By Mail) I caused such envelope with postage thereon fully prepaid to be placed in the United States Mail at San Anselmo, California.

[x] (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

DATED: October 7, 1992

NOT TO BE PUBLISHED

IN THE COURT OF APPEAL OF THE STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT

DIVISION FOUR

CHURCH OF SCIENTOLOGY INTERNATIONAL, Plaintiff and Respondent, v. GERALD ARMSTRONG, Defendant and Appellant.	No. B069450 (Super.Ct.No. BC052395)

APPEAL from an order of the Superior Court of Los Angeles County, Ronald M. Sohigian, Judge. Affirmed.

Ford Greene and Paul Morantz for Defendant and Appellant.

Bowles & Moxon, Karen D. Holly, Wilson, Ryan & Campilongo, Andrew H. Wilson, Rabinowitz, Boudin, Standard, Krinsky & Lieberman, Eric M. Lieberman, and Michael Lee Hertzberg for Plaintiff and Respondent.

Defendant and appellant Gerald Armstrong (Armstrong) appeals from an order granting a preliminary injunction restraining Armstrong from voluntarily giving assistance to other persons litigating or intending to litigate claims against plaintiff and respondent Church of Scientology International (Church).

The injunction was granted to enforce a settlement agreement in prior litigation between Armstrong and Church. In the settlement, Armstrong agreed he would not voluntarily assist other persons in proceedings against Church.

Armstrong does not deny violating his agreement but asserts numerous reasons why his agreement should not be enforceable. We conclude that the narrowly-limited preliminary injunction, which did not finally adjudicate the merits of Armstrong's claims, was not an abuse of the trial court's discretion to make orders maintaining the status quo and preventing irreparable harm pending the ultimate resolution of the merits.

FACTUAL AND PROCEDURAL BACKGROUND

Armstrong was a member of Church between 1969 and 1981. He became an insider of high rank, familiar with Church practices and documents. He became disillusioned and left Church in 1981. When he left, he took many Church documents with him.

The Prior Action and Settlement

Church brought the prior action against Armstrong seeking return of the documents, injunctive relief against further dissemination of information contained in them, and imposition of a constructive trust. Mary Sue Hubbard, wife of Church founder L. Ron Hubbard, intervened asserting various torts against Armstrong. Armstrong filed a cross-complaint seeking damages for fraud, intentional infliction of emotional distress, libel, breach of contract, and tortious interference with contract.

Church's complaint and Hubbard's complaint in intervention were tried in 1984 by Judge Breckenridge. That trial led to a judgment, eventually affirmed on appeal, holding Armstrong's conversion of the documents was justified because he believed the conversion necessary to protect himself from Church's claims that he had lied about Church matters and L. Ron Hubbard. (Church of Scientology v. Armstrong (1991) 232 Cal.App.3d 1060, 1063, 1073.)

Armstrong's cross-complaint in that case was settled in December 1986 by the settlement agreement which is the subject of the injunction in the present case.

In the settlement agreement, the parties mutually released each other from all claims, except the then-pending appeal of Judge Breckenridge's decision on Church's complaint, which was expressly excluded. The settlement involved a number

The Present Action

In February 1992, Church filed a complaint in the present action alleging Armstrong's violation of the settlement agreement and seeking damages and injunctive relief.

In support of its motion for a preliminary injunction, Church presented evidence that since June 1991 Armstrong had violated the agreement by working as a paralegal for attorneys representing clients engaged in litigation against Church and by voluntarily and gratuitously providing evidence for such litigation. Armstrong worked as a paralegal for Attorney Joseph Yanny, who represented Richard and Vicki Aznaran in a multimillion dollar suit against Church in federal court. Armstrong also voluntarily provided declarations for use in the Aznarans' case. Armstrong thereafter worked for Attorney Ford Greene on the Aznaran and other Church related matters.

Armstrong did not deny the charged conduct but asserted the settlement agreement was not enforceable for various reasons, primarily that it was against public policy and that he signed it under duress.

The Trial Court's Preliminary Injunction

The trial court granted a limited preliminary injunction, with exceptions which addressed Armstrong's of persons engaged in litigation against Church, all represented by Attorney Michael Flynn. As a result of the settlement, Armstrong was paid $800,000. Armstrong's cross-complaint was dismissed with prejudice, as agreed, on December 11, 1986.

The portions of the settlement agreement most pertinent to this appeal are paragraphs 7-G, 7-H, and 10, in which Armstrong agreed not to voluntarily assist other persons intending to engage in litigation or other activities adverse to Church.[1]

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[1] "G. Plaintiff agrees that he will not voluntarily assist or cooperate with any person adverse to Scientology in any proceeding against any of the Scientology organizations, individuals, or entities listed in Paragraph 1 above. Plaintiff also agrees that he will not cooperate in any manner with any organizations aligned against Scientology. [¶] H. Plaintiff agrees not to testify or otherwise participate in any other judicial, administrative or legislative proceeding adverse to Scientology or any of the Scientology Churches, individuals or entities listed in Paragraph 1 above unless compelled to do so by lawful subpoena or other lawful process. Plaintiff shall not make himself amenable to service of any such subpoena in a manner which invalidates the intent of this provision. Unless required to do so by such subpoena, Plaintiff agrees not to discuss this litigation or his experiences with and knowledge of the Church with anyone other than members of his immediate family. As provided hereinafter in Paragraph 18(d), the contents of this Agreement may not be disclosed. [¶] . . . 10. Plaintiff agrees that he will not assist or advise anyone, including individuals, partnerships, associations, corporations, or governmental agencies contemplating any claim or engaged in litigation or involved in or contemplating any activity adverse to the interests of any entity or class of persons listed above in Paragraph 1 of this Agreement."

Paragraph 20 of the agreement authorizes its enforcement by injunction.

argument that the settlement agreement violated public policy by requiring suppression of evidence in judicial proceedings.

The court found that Armstrong voluntarily entered the settlement agreement for which he received substantial compensation, and that Armstrong was unlikely to prevail on his duress claim. The court found that Armstrong could contract as part of the settlement to refrain from exercising various rights which he would otherwise have. Balancing the interim harms to the parties, the court found that to the extent of the limited acts covered by the preliminary injunction, Church would suffer irreparable harm which could not be compensated by monetary damages, and harm for which monetary damages would be difficult to calculate. (Code Civ. Proc., § 526, subds. (a)(2), (a)(4), (a)(5).)

The court's order provides, in pertinent part: "Application for preliminary injunction is granted in part, in the following respects only. [¶] Defendant Gerald Armstrong, his agents, and persons acting in concert or conspiracy with him (excluding attorneys at law who are not said defendant's agents or retained by him) are restrained and enjoined during the pendency of this suit pending further order of court from doing directly or indirectly any of the following: [¶] Voluntarily assisting any person (not a governmental organ or entity) intending to make, intending to press, intending to arbitrate, or intending to litigate a claim against the persons referred to in sec. 1 of the 'Mutual Release of All Claims and Settlement Agreement' of December, 1986 regarding such claim or regarding pressing, arbitrating, or litigating it. [¶] Voluntarily assisting any person (not a governmental organ or entity) arbitrating or litigating a claim against the persons referred to in sec. 1 of the 'Mutual Release of All Claims and Settlement Agreement' of December, 1986."

The court provided the following exceptions to address Armstrong's public policy arguments: "The court does not intend by the foregoing to prohibit defendant Armstrong from: (a) being reasonably available for the service of subpoenas on him; (b) accepting service of subpoenas on him without physical resistance, obstructive tactics, or flight; (c) testifying fully and fairly in response to properly put questions either in deposition, at trial, or in other legal or arbitration proceedings; (d) properly reporting or disclosing to authorities criminal conduct of the persons referred to in sec. 1 of the 'Mutual Release of All Claims and Settlement Agreement' of December, 1986; or (e) engaging in gainful employment rendering clerical or paralegal services not contrary to the terms and conditions of this order."

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DISCUSSION

The grant of a preliminary injunction does not adjudicate the ultimate rights in controversy between the parties. It merely determines that the court, balancing the relative equities of the parties, concludes that, pending a trial on the merits, the defendant should be restrained from exercising the right claimed. The purpose of the injunction is to preserve the status quo until a final determination of the merits of the action. (Continental Baking Co. v. Katz (1968) 68 Cal.2d 512, 528.)

The court considers two interrelated factors. The first is the likelihood the plaintiff will prevail at trial. The second is the interim harm the plaintiff is likely to sustain if the injunction is denied, as compared to the harm the defendant is likely to suffer if the injunction is granted. (Cohen v. Board of Supervisors (1985) 40 Cal.3d 277, 286.)

The decision to grant or deny a preliminary injunction rests in the discretion of the trial court. Accordingly, an appellate court's review on appeal from the granting of a preliminary injunction is very limited. The burden is on the appellant to make a clear showing that the trial court abused its discretion. (IT Corp. v. County of Imperial (1983) 35 Cal.3d 63, 69; Nutro Products, Inc. v. Cole Grain Co. (1992) 3

Cal.App.4th 860, 865.) Abuse of discretion means the trial court has exceeded the bounds of reason or contravened the uncontradicted evidence. (IT Corp. v. County of Imperial, supra, 35 Cal.3d at p. 69.)

Here, the trial court's memorandum decision reflects very careful consideration of the factors relevant to the granting of a preliminary injunction. The court weighed the relative harms to the parties and balanced the interests asserted by Armstrong. The court granted a limited preliminary injunction with exclusions protecting the countervailing interests asserted by Armstrong. We find no abuse of discretion. We cannot say that the trial court erred as a matter of law in weighing the hardships or in determining there is a reasonable probability Church would ultimately prevail to the limited extent reflected by the terms of the preliminary injunction.

Although Armstrong's "freedom of speech" is affected, it is clear that a party may voluntarily by contract agree to limit his freedom of speech. (See In re Steinberg (1983) 148 Cal.App.3d 14, 18-20 [filmmaker agreed to prior restraint on distribution of film]; ITT Telecom Products Corp. v. Dooley (1989) 214 Cal.App.3d 307, 319 [employee's agreement not to disclose confidential information; "it is possible to waive even First Amendment free speech rights by contract"]; Snepp v. United States (1980) 444 U.S. 507, 509, fn. 3 [book by CIA employee subject to prepublication clearance by terms of his employment contract].)

The exceptions in the trial court's injunction assured that the injunction would not serve to suppress evidence in legal proceedings. The injunction expressly did not restrain Armstrong from accepting service of subpenas, testifying fully and fairly in legal proceedings, and reporting criminal conduct to the authorities. (See Philippine Export & Foreign Loan Guarantee Corp. v. Chuidian (1990) 218 Cal.App.3d 1058, 1081-1082.) This contrasts with the stipulation in Mary R. v. B. & R. Corp. (1983) 149 Cal.App.3d 308, 315-316, cited by Armstrong, which prevented a party from disclosing misconduct to regulatory authorities.

This appeal is only from the granting of a preliminary injunction which expressly did not decide the ultimate merits. As limited by the trial court here, the preliminary injunction merely restrains, for the time being, Armstrong's voluntary intermeddling in other litigation against Church, in violation of his own agreement. We decline any extended discussion of Armstrong's shotgun-style brief, which offers more than a dozen separate contentions against enforcement. It suffices to say that Armstrong has not borne his burden on appeal to demonstrate a clear abuse of discretion.

DISPOSITION

The order granting a preliminary injunction is affirmed.

NOT TO BE PUBLISHED

VOGEL (C.S.), Acting P.J.

We concur:

HASTINGS, J.

KLEIN (Brett), J.*

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*Assigned by the Chairperson of the Judicial Council.

OFFICE OF THE CLERK
COURT OF APPEAL
STATE OF CALIFORNIA

SECOND APPELLATE DISTRICT
JOSEPH A. LANE, CLERK

DIVISION: 4 DATE: 05/16/94

Bowles & Moxon
Laurie J. Bartilson
6255 Sunset Blvd
Suite 2000
Hollywood, CA. 90028

RE: Church of Scientology International
vs.
Armstrong, Gerald
2 Civil B069450
Los Angeles NO. BC052395

SUPERIOR COURT OF CALIFORNIA , COUNTY OF LOS ANGELES

Date: May 28, 1992
Honorable Ronald M. Sohigian, Judge
1

M. Cervantes, Deputy Clerk
None (E.R.M.)

BC 052395

(Parties and Counsel checked if present)

Church of Scientology, International

vs.

Gerald Armstrong, et al.

Counsel For
Plaintiff

Counsel For
Defendant

No Appearances

NATURE OF PROCEEDINGS: RULING ON MATTER TAKEN UNDER SUBMISSION ON MAY 27, 1992

In this matter heretofore taken under submission on May 27, 1992, the court now makes the following ruling.

1 Plaintiff's legal remedies are inadequate insofar as the scope of relief ordered below is concerned, but not otherwise. CCP 526(4) and (5).

2 The threatened acts which are restrained by the order referred to below, but only those threatened acts, would do irreparable harm to plaintiff which could not be compensated by monetary damages. CCP 526(2).

3 On the basis of the instant record, there is a reasonable probability that plaintiff will prevail after trial of this case in the respects restrained by this order. CCP 526(1); cf., San Francisco Newspaper Printing Co., Inc. vs. Superior Court (Miller) (1985) 170 Cal. App. 3d 438.

4 Plaintiff is likely to suffer greater injury from denial of the preliminary injunction the terms of which are set out below than the injury which defendant is likely to suffer if it is granted. See Robbins vs. Superior Court (County of Sacramento) (1985) 38 Cal. 3d 199, 206.

5 The granting of a preliminary injunction in the terms set out below will preserve the status quo pending trial.

DEPT. 88

SUPERIOR COURT OF CALIFORNIA , COUNTY OF LOS ANGELES

Date: May 28, 1992
Honorable Ronald M. Sohigian, Judge
1a

M. Cervantes, Deputy Clerk
None (E.R.M.)

BC 052395

(Parties and Counsel checked if present)

Church of Scientology, International
vs.
Gerald Armstrong, et al.

Counsel For Plaintiff

Counsel For Defendant

No Appearances

NATURE OF PROCEEDINGS: RULING ON MATTER TAKEN UNDER SUBMISSION ON MAY 27, 1992

6 Application for preliminary injunction is granted in part, in the following respects only.

Defendant Gerald Armstrong, his agents, and persons acting in concert or conspiracy with him (excluding attorneys at law who are not said defendant's agents or retained by him) are restrained and enjoined during the pendency of this suit pending further order of court from doing directly or indirectly any of the following:

Voluntarily assisting any person (not a governmental organ or entity) intending to make, intending to press, intending to arbitrate, or intending to litigate a claim against the persons referred to in sec. 1 of the "Mutual Release of All Claims and Settlement Agreement" of December, 1986 regarding such claim or regarding pressing, arbitrating, or litigating it.

Voluntarily assisting any person (not a governmental organ or entity) arbitrating or litigating a claim against the persons referred to in sec. 1 of the "Mutual Release of All Claims and Settlement Agreement" of December, 1986.

The court does not intend by the foregoing to prohibit defendant Armstrong from: (a) being reasonably available for the service of subpoenas on him; (b) accepting service of subpoenas on him without physical resistance, obstructive tactics, or flight; (c) testifying fully and fairly in response to properly put questions either in deposition, at trial, or in other legal or arbitration proceedings; (d) properly reporting or disclosing to authorities criminal conduct of the persons referred to in sec. 1 of the "Mutual Release of All Claims and Settlement Agreement" of December, 1986; or (e) engaging in gainful employment rendering clerical or paralegal services not contrary to the terms and conditions of this order.

DEPT. 88

SUPERIOR COURT OF CALIFORNIA , COUNTY OF LOS ANGELES 3308

Date: May 28, 1992
Honorable Ronald M. Sohigian, Judge
1b

M. Cervantes, Deputy Clerk
None (E.R.M.)

BC 052395

(Parties and Counsel checked if present)

Church of Scientology, International
vs.
Gerald Armstrong, et al.

Counsel For Plaintiff

Counsel For Defendant

No Appearances

NATURE OF PROCEEDINGS: RULING ON MATTER TAKEN UNDER SUBMISSION ON MAY 27, 1992

The application for preliminary injunction is otherwise denied.

7 The restraints referred to in sec. 6, above, will become effective upon plaintiff's posting an undertaking in the sum of $70,000 pursuant to CCP 529(a) by 12:00 noon on June 5, 1992.

8 The restraints referred to in sec. 6, above, properly balance and accommodate the policies inherent in: (a) the protectable interests of the parties to this suit; (b) the protectable interests of the public at large; (c) the goal of attaining full and impartial justice through legitimate and properly informed civil and criminal judicial proceedings and arbitrations; (d) the gravity of interest involved in what the record demonstrates defendant might communicate in derogation of the contractual language; and (e) the reasonable interpretation of the "Mutual Release of All Claims and Settlement Agreement" of December, 1986. The fair interpretation of all the cases cited by the parties indicates that this is the correct decisional process. The law appropriately favors settlement agreements. Obviously, one limitation on freedom of contract is "public policy"; in determining what the scope of the public policy limitation on the parties' rights to enforcement of their agreement in the specific factual context of this case, the court has weighed the factors referred to in the first sentence of this section. Litigants have a substantial range of contractual freedom, even to the extent of agreeing not to assert or exercise rights which they might otherwise have. The instant record shows that plaintiff was substantially compensated as an aspect of the agreement, and does not persuasively support defendant's claim of duress or that the issues involved in this preliminary injunction proceeding were precluded by any prior decision.

SUPERIOR COURT OF CALIFORNIA , COUNTY OF LOS ANGELES

Date: May 28, 1992
Honorable **Ronald M. Sohigian,** Judge
1c

M. Cervantes, Deputy Clerk
None (E.R.M.)

BC 052395

(Parties and Counsel checked if present)

Church of Scientology, International

vs.

Gerald Armstrong, et al.

Counsel For Plaintiff

Counsel For Defendant

No Appearances

NATURE OF PROCEEDINGS: RULING ON MATTER TAKEN UNDER SUBMISSION ON MAY 27, 1992

9 The court does not dispositively decide the underlying merits of the case except for this preliminary determination. CCP 526(1); Baypoint Mortgage Corp. vs. Crest Premium Real Estate etc. Trust (1985) 168 Cal. App. 3d 818, 823.

10 Plaintiff is ordered give written notice by mail by June 5, 1992, including in that written notice a statement regarding whether plaintiff has or has not posted the undertaking referred to in sec. 7, above, and attaching to that written notice evidence showing that the undertaking has been posted if that is the fact.

DATED: May 28, 1992.

RONALD M. SOHIGIAN

RONALD M. SOHIGIAN
Judge of the Superior Court

A copy of this minute order is sent to counsel via United States mail this date.

Statutory [illegible]
Today

FILED 3310
3:30 pm
APR - 1 1988
CLERK, U.S. DISTRICT COURT
CENTRAL DISTRICT OF CALIF.
SANTA ANA OFFICE

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Attorneys for Plaintiffs
VICKI J. AZNARAN and RICHARD N. AZNARAN

UNITED STATES DISTRICT COURT

CENTRAL DISTRICT, STATE OF CALIFORNIA

VICKI J. AZNARAN and RICHARD N. AZNARAN,

Plaintiffs,

vs.

CHURCH OF SCIENTOLOGY OF CALIFORNIA, INC.; CHURCH OF SPIRITUAL TECHNOLOGY, INC.; SCIENTOLOGY MISSIONS INTERNATIONAL, INC.; RELIGIOUS TECHNOLOGY CENTER, INC.; AUTHOR SERVICES, INC.; CHURCH OF SCIENTOLOGY INTERNATIONAL, INC.; CHURCH OF SCIENTOLOGY OF LOS ANGELES, INC.; MISSION OFFICE WORLDWIDE; AUTHOR FAMILY TRUST; THE ESTATE OF L. RON HUBBARD; DAVID MISCAVIGE; and NORMAN STARKEY

Defendants.

CASE NO. CV 88-1786-WDK (Ex)

COMPLAINT FOR FALSE IMPRISONMENT; INTENTIONAL INFLICTION OF EMOTIONAL DISTRESS; NEGLIGENT INFLICTION OF EMOTIONAL DISTRESS; LOSS OF CONSORTIUM; CONSPIRACY; BREACH OF CONTRACT; RESTITUTION; FRAUD; INVASION OF PRIVACY; BREACH OF STATUTORY DUTY TO PAY MINIMUM WAGES AND OVERTIME [Cal. Lab. C.§1194] AND CONSTRUCTIVE FRAUD

COME NOW Plaintiffs VICKI J. and RICHARD N. AZNARAN, and allege as follows:

JURISDICTION AND VENUE

1. Jurisdiction for all of Plaintiffs' claims is proper under 28 USC §1332 because complete diversity exists between all Plaintiffs and all Defendants, and the amount in controversy exceeds Ten Thousand Dollars ($10,000.00). Venue is

1

proper under 28 USC §§1391(b) and 1392 because all of Plaintiffs' claims arose in this District and one or more of the Defendants resides in this District.

COMMON ALLEGATIONS

2. Plaintiffs VICKI J. AZNARAN and RICHARD N. AZNARAN (hereinafter "Plaintiffs"), are individuals domiciled in the State of Texas, County of Dallas.

3. Plaintiffs are informed and believe and thereon allege that Defendants CHURCH OF SCIENTOLOGY OF CALIFORNIA, INC., CHURCH OF SPIRITUAL TECHNOLOGY, INC., SCIENTOLOGY MISSIONS INTERNATIONAL, INC., RELIGIOUS TECHNOLOGY CENTER, INC., AUTHOR SERVICES, INC., AND CHURCH OR SCIENTOLOGY INTERNATIONAL, INC. and CHURCH OF SCIENTOLOGY OF LOS ANGELES, INC., are, and at all times herein mentioned were, California corporations authorized to do and doing business in the State of California.

4. Plaintiffs are informed and believe and thereon allege that Defendants AUTHOR FAMILY TRUST, MISSION OFFICE WORLDWIDE, and the ESTATE OF L. RON HUBBARD are entities that are residents of the State of California.

5. Plaintiffs are informed and believe and thereon allege that Defendants DAVID MISCAVIGE and NORMAN STARKEY are individuals domiciled in the State of California.

6. Corporate Defendants named in paragraph 2, above, are subject to a unity of control, and the separate alleged corporate structures were created as an attempt to avoid payment of taxes, and civil judgments. Due to the unity of personnel, commingling of assets, and commonality of business objectives, the attempt at separation of these corporations should be disregarded by the Court.

7. The fallacious designations of Defendant organization as "Churches" or other religious entities is a sham contrived to exploit protections of the First Amendment of the United States Constitution, and at no time herein mentioned did Defendants render any religious services, or engage in any religious activities whatsoever. Rather, said organizations were created solely for the purpose of making money from the sale of copyrights of the book Dianetics, written by L. RON HUBBARD, and from the subjugation and exploitation of thousands of individuals such as Plaintiffs for free labor and services.

8. Each of the Defendants is the agent, coconspirator, partner or employee of the other, and did the acts alleged herein pursuant to said relationship.

9. From the period in or about November of 1973 until in or about May of 1987, Plaintiffs were members of the CHURCH OF SCIENTOLOGY (hereinafter the "Church"). Plaintiff RICHARD N. AZNARAN (hereinafter "RICHARD") was indoctrinated into the Church in Dallas, Texas, upon returning from service with the Unites States Marine Corps in Vietnam, by active recruitment techniques which involved written examinations, assignment to "communication courses" for which Plaintiffs paid good and adequate consideration, and assignments to different job positions within the Church. Plaintiff VICKI AZNARAN was also recruited by the Church in Dallas, Texas in or about the same time by the same active recruitment techniques.

10. In or about 1975, Plaintiffs entered into a five year renewable written Employment Agreement with Defendants, and each of them, whereby Plaintiffs would be paid an unspecified "allowance," bonuses, and room and board in exchange for an

unspecified number of hours to be worked each day and week for the Church. As a matter of policy, Plaintiffs later learned that their allowance amounted to approximately $17.50 per week and working hours were 9:00 a.m to 12:00 midnight, daily, with one day's leave every two weeks. Even these "privileges," however, were subject to being removed by the Church pursuant to the "Team Member System." Pursuant to the Team Member System, the Church published five classes of laminated cards, each class representing a token to be used as privately-issued money in exchange for food, board, pay, bonuses and liberty. The Team Member System required that the Plaintiffs be given one of each of these cards when the Church administration was satisfied with their work production, and loyalty to the organization. Any dissatisfaction with the work output or "attitude" of Plaintiffs would result in revocation of the tokens, thereby requiring Plaintiffs to work long hours with no days off, no pay, no board (requiring them to sleep outdoors on the ground) and substandard nutrition comprised solely of rice, beans and water. When Plaintiffs had lost all of their cards, as a matter of course, they would be sent to the Rehabilitation Project Force for "attitude adjustment," which was comprised of even harsher labor, deprivation of liberty, and psychological duress forcing the submission of Plaintiffs to the power and control of Defendants, as set out more specifically herein.

11. From the outset, and during the course of their involvement with the Church, Defendants subjected Plaintiffs to psychological trauma, duress and undue influence for the purposes of forcing submission of Plaintiffs to the control of Defendants by means of brainwashing. The purpose of forcing submission of

Plaintiffs and other individuals to the control of Defendants was to create a slave-like work force that would work to the wealth and benefit of Defendants. Once Plaintiffs were placed under the domination of Defendants, Plaintiffs were exploited against their will to work as uncompensated employees of Defendants, and continuously subjected to physical and psychological trauma, indoctrination and exhaustion.

12. For the duration of their affiliation with Defendants, Defendants and each of them employed the following psychological devices, as well as other devices, to cause Plaintiffs to involuntarily abandon their identities, spouses, and loyalties, and deprive Plaintiffs of their independent free will, thereby forcing them to submit to the physical and psychological control of Defendants: Threats of torture; implementation of brainwashing tactics; threats of physical harm for lack of loyalty to Defendants; implementation of an electronic device dubbed the "E Meter" that purportedly measured the degree of Plaintiffs' loyalty to Defendants through electrodes held in Plaintiffs' hands during the course of lengthy interrogations, as described with more particularity herein; sudden involuntary and forceable separation of spouses from one another for many months, and depriving the spouses of communication with one another or allowing them to know where the other was located; willfully and expressly inducing divorce between Plaintiffs; forcibly causing Plaintiffs to work long hours at hard labor in excess of 40 hours a week and eight hours a day without compensation; deliberately inducing fatigue by physical abuse and deprivation of sleep; forcing Plaintiffs to be housed in animal quarters; deliberately confining Plaintiffs to

premises under the control of Defendants and under threat of physical harm without allowing Plaintiffs to leave of their own free will; and threatening Plaintiffs that failure to submit to the power and control of Defendants would result in their becoming "fair game," a term of art coined by Defendants, described more clearly herein.

13. During the course of their involuntary affiliation with Defendants, Plaintiffs were, on many occasions, subjected to scrutiny regarding their loyalty to Defendants by being placed on the E Meter. The E Meter is an electronic device used by Defendants that measures the emotional responses of employees of Defendants, such as Plaintiffs, through electrodes held in the hands. Plaintiffs would regularly be interrogated for days on end, not being allowed to sleep, regarding their loyalty or lack thereof to Defendants. The E Meter was comprised of a needle that would rise to levels indicating the degree of credibility and loyalty of the interrogated party.

14. Defendants, and each of them, have a known policy of "fair game." This policy directs that any individual or employee who expresses a lack of loyalty to Defendants is open to any form of harassment, economic ruin, or subject to any covert plan designed to cause emotional or physical harm, and/or financial ruin. This plan includes the destruction of a person's business, reputation, and/or framing of false charges of criminal acts. Throughout Plaintiffs' involuntary affiliation with Defendants, they were constantly psychologically tormented with threats of becoming "fair game" within the context of the specialized meaning given the term by Defendants.

15. During the course of their "employ" with Defendants, Plaintiff VICKI J. AZNARAN (hereinafter "VICKI") was employed in the so-called Commodore's Messenger Organization, executing the directives of L. RON HUBBARD (herein "Hubbard") in a management capacity. RICHARD was assigned to the personal office of Hubbard in the capacity of Public Relations Expert in charge of creating a positive image of Hubbard among staff and the public.

16. In or about 1981, VICKI was ordered to Los Angeles where she was employed as a "missionaire" to purge members of Defendants' organization who had been subjected to civil and criminal prosecution, remove assets of Defendant CHURCH OF SCIENTOLOGY OF CALIFORNIA to overseas trusts where they could not be accessed by plaintiffs or the government, and set up sham corporate structures to evade prosecution generally. RICHARD was sent with VICKI in the capacity of a security investigator who surveilled members of the organizations associated with Defendants for the purposes of determining their loyalty and likelihood that they would testify against Defendants in pending civil and criminal suits, as well as designated "enemies" of the Church. In or about December of 1981, VICKI and RICHARD were ordered to the Religious Technology Center controlled and operated by Defendant RELIGIOUS TECHNOLOGY CENTER, INC., at Gilman Hot Springs, near Hemet, California. VICKI was assigned to work for Defendant AUTHOR SERVICES, INC., in managing the sales of copyright of the book, Dianetics, written by Hubbard. She was also commissioned to reorganize corporate structures and effect sham sales of millions of copies of Dianetics to the corporate Defendants named herein as a vehicle for transferring

assets among them. RICHARD was assigned to supervise the construction of a home for Hubbard with the assistance of some 120 other "members" of the various organizations of Defendants. Plaintiffs were assigned to these positions by Defendant DAVID MISCAVIGE (herein "MISCAVIGE") who was operating under instructions of Ann and Patrick Broeker, personal confidants of Hubbard.

17. In or about March of 1982, Defendant MISCAVIGE became dissatisfied with the speed at which RICHARD was completing the construction project, and imposed the Team Member System, thereby depriving RICHARD of all of his cards, and thereby forcing RICHARD to work without pay from 9:00 a.m. to 12:00 p.m., without any days off, to sleep outdoors, and to eat only rice and beans. Ultimately, RICHARD was punished by being assigned to the Rehabilitation Project Force in Los Angeles where he was made a member of a construction crew working on the renovation of buildings owned and operated by Defendants on the corner of Vermont and Sunset, known as the Cedars of Lebanon Buildings. RICHARD was forced to work long hours again, from 9:00 a.m until 12:00 midnight without any days off at a rate of pay of $1.25 per week. He was forced to work in this position for 99 days. During the course of his incarceration on the Rehabilitation Project Force, VICKI remained in Hemet where she worked directly for Ann Broeker. Both VICKI and RICHARD were deprived of the right of meeting with each other; nevertheless, VICKI surreptitiously drove to Los Angeles to meet with RICHARD late Friday nights. Both VICKI and RICHARD had been told that if they had been caught meeting or communicating with each other, they would become "fair game." Finally, on or around

Thanksgiving of 1982, RICHARD was deemed "rehabilitated" and returned to the Religious Technology Center in Hemet where he installed a security system around the Hubbard residence, and continued to work in the capacity of security specialist for Defendants.

18. In or about October of 1982, Defendants, and each of them, resolved to restructure their corporate and financial relationships at a meeting in San Francisco, which restructuring called for all Scientology entities to turn over their profits to Defendant AUTHOR SERVICES, INC. VICKI expressed disapproval of the proposal and was summarily ordered to the Rehabilitation Project Force in Hemet where, for approximately 120 days, was forced to participate in the "running program." The running program required VICKI and other persons subjected to the control of Defendants to run around an orange telephone pole from 7:00 a.m. until 9:30 p.m. in the evening, with 10 minute rests every one-half hour, and 30 minute breaks for lunch and dinner. In or about May of 1983, VICKI was deemed rehabilitated and ordered back to the Religious Technology Center at Gilman Hot Springs. From mid 1983 until the death of Hubbard on January 24, 1986, VICKI and RICHARD remained in their respective work capacities at Gilman Hot Springs continually undergoing physical trauma and indoctrination by use of the techniques already described hereinabove.

19. On or about January 24, 1986, RICHARD was ordered to the San Louis Obispo ranch of Hubbard where he was forced to work in the capacity of a security guard for a year and a half. During this time, Defendants, and each of them, continued to force him to work the hours of 9:00 a.m until 12:00 midnight,

with the possibility of having one day off every two weeks, at minimum wage. RICHARD was forced to falsify time cards to falsely indicate that he had been working 40 hour work weeks, so as to avoid an obligation on the part of Defendants from paying him overtime. During his stay at the ranch in San Louis Obispo, RICHARD was forced to sleep in a horse stable with several of the other indoctrinated employees of Defendants. During the course of RICHARD's stay at the ranch, VICKI was not told of his whereabouts, nor were Plaintiffs permitted to correspond with each other.

20. In or about February of 1987, a schism arose between Defendant MISCAVIGE and the Broekers, each of whom claimed to possess the "upper level Holy Scriptures" written by Hubbard, which scriptures Hubbard had intended to bequeath to the Church. VICKI became increasingly demanding of Defendant MISCAVIGE to be put in contact with RICHARD, and Defendant MISCAVIGE regarded her demands as an expression of allegiance to MISCAVIGE's new religious rival, the Broekers. MISCAVIGE therefore ordered VICKI to the Rehabilitation Project Force at "Happy Valley," a secret location bordering the Sobova Indian Reservation near Gilman Hot Springs, California, overseen and controlled by Defendant NORMAN STARKEY.

21. Plaintiff VICKI understood that the consequences of the lack of cooperation was a threat of "fair game," and that Defendants, and each of them, would make efforts to sever her relationship entirely with her husband, as Defendants had done to others. VICKI was further advised that if she went to the Rehabilitation Project Force camp in Happy Valley cooperatively, she would be able to see RICHARD within a few days. This

representation was false when made. In fact, Defendants concealed the true intent which was to keep VICKI totally separated from her husband and deny her access to him.

22. Once having arrived at Happy Valley, VICKI was assigned a guard and was not allowed to go anywhere or do anything without her guard being present. At night, she was imprisoned by having heavy furniture moved to secure the exit, keeping her from in any way escaping. Further, Defendants kept, and continue to keep all of her physical belongings including a horse and two dogs.

23. VICKI was in fear of being physically prevented from leaving, or subject to "fair game" if she escaped. Plaintiff had seen in the past other victims of Happy Valley be beaten upon attempted escape, and their personal belongings destroyed. During this period of unlawful detention, VICKI was unable to communicate with RICHARD as their correspondence was intercepted and denied. During this period of false imprisonment, VICKI and others were made to wear rags taken out of garbage cans, sleep on the ground, dig ditches, subjected to many hours of indoctrination using the techniques hereinabove, all designed to coercively force VICKI to submit to the control of Defendants. During the time of her incarceration in Happy Valley, Defendants DAVID MISCAVIGE and NORMAN STARKEY were directing and enforcing the coercive and abusive indoctrination devices at Happy Valley.

24. On or about April 9, 1987 VICKI and two other victims escaped from Happy Valley onto the Sobova Indian Reservation where they were pursued on motorcycles by guards of Happy Valley. VICKI and the other victims were rescued by

residents of the reservation who picked them up in a pick-up truck and spirited them to a motel in the City of Hemet.

25. As these events were transpiring, RICHARD, still at the ranch in San Louis Obispo, was repeatedly urged that VICKI had become disloyal to Defendants, and that RICHARD should divorce her.

26. RICHARD demanded to see VICKI and was permitted to go to Hemet where Plaintiffs were reunited. Fearful of reprisals and becoming "fair game," however, Plaintiffs did not at that time sever their relationships altogether with Defendants. Plaintiffs therefore left the State of California to Dallas, Texas where they set up a private investigation business, remaining in contact and under the control of Defendants.

27. Because Defendants regarded Plaintiffs departure to Texas as a breach of their five year commitment with Plaintiffs, Defendants submitted a bill for services allegedly rendered to Plaintiffs entitled "freeloader bill" in the amount of $59,048.02. This bill purports to indicate all of the expenses incurred by Defendants in indoctrination activities imposed upon Plaintiffs. That is, Defendants attempted to charge money to Plaintiffs for each session in which the E Meter was used, all indoctrination sessions, and time spent on the Rehabilitation Project Force. These services are dubbed "courses" and "auditing sessions." Plaintiffs have been required to make payments on this fictitious bill in order to escape becoming "fair game."

28. As a result of the psychological trauma nd indoctrination techniques applied by Defendants, and each of them, Plaintiffs were unable to comprehend their legal rights

with regard to the actions of Defendants, and were not sufficiently conscious of the nature and effect of the acts of Defendants so as to be able to take legal action or hire an attorney until on or about January 1, 1988. Plaintiffs continued to submit to the demands and requests of Defendants, and remained subjected to psychological trauma imposed by Plaintiffs until on or about January 1, 1988, when they resolved to seek legal assistance.

FIRST CAUSE OF ACTION
(False Imprisonment)

29. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations as though set forth in full below.

30. In or about February, 1987, Defendants, and each of them, physically seized Plaintiff VICKI AZNARAN ("VICKI") and forcibly, against her will, and without her consent and over her protest, placed VICKI in the confines of a so-called Rehabilitation Project Force Camp at Happy Valley, California, near the Sobova Indian Reservation, Riverside County. During this time, Defendants, and each of them, employed coercive indoctrination tactics more fully described in Common Allegations above, warned her that she would be "Fair Game," and made representations that they would work to severe her marriage with her husband, Plaintiff RICHARD AZNARAN. Plaintiff VICKI was in fear of being physically beaten, and was under constant guard at all times. During this period of false imprisonment, Plaintiff VICKI and other inmates were made to wear rags taken out of garbage cans, sleep on the ground, dig ditches, and were

subjected to numerous hours of indoctrination, all designed to coercively force VICKI to submit to the control of Defendants. On or about April 9, 1987, VICKI was successful in escaping from Happy Valley.

31. In employing these coercive and threatening tactics during the course of imprisonment more fully described in Common Allegations, above, Defendants, and each of them, acted with deliberate malice for the purpose of forcing submission of Plaintiff VICKI to their control, so that she would remain in their employ for no consideration whatsoever, under circumstances that can only be described as involuntary servitude.

32. As a proximate result of the acts of Defendants set out herein, and in the Common Allegations, above, Plaintiff VICKI was injured in her health, strength, and activity, sustaining injury to her body and shock and injury to her nervous system and person, all of which injuries have caused VICKI to suffer extreme and severe physical pain and mental anguish. These injuries have resulted in, and will continue to result in, some permanent disability to Plaintiff VICKI, and Plaintiff VICKI has been damaged in an amount according to proof at trial.

33. Defendants, and each of them, engaged in the false imprisonment of Plaintiff VICKI as herein alleged, and were willful, wanton, despicable, malicious, and oppressive, and their acts justify the awarding of punitive damages, and Plaintiff VICKI is entitled to and hereby demands from Defendants, and each of them, punitive damages in an amount not less than Ten Million Dollars ($10,000,000.00).

SECOND CAUSE OF ACTION
(Intentional Infliction of Emotional Distress)

34. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Cause of Action, as though set forth in full below.

35. Defendants, and each of them, represented to Plaintiffs and others, that they were rendering services of a spiritual and psychological nature that would make Plaintiffs better persons. These representations included statements that Scientology would scientifically improve Plaintiffs' well being and make them physiologically better persons. These representations were false when made by Defendants, and each of them, and known to be false when made. Based on the relationship of trust developed between Plaintiffs and Defendants, Defendants, and each of them, were fully aware of the particular susceptibility of Plaintiffs' to emotional distress imposed by them.

36. Defendants' conduct, as set out in the Common Allegations, above, was intentional and malicious and done for the purpose of causing Plaintiffs to suffer humiliation, mental anguish, and emotional and physical distress. The conduct of Defendants in confirming and ratifying that conduct was done with the knowledge that Plaintiffs' emotional and physical distress would thereby increase upon application of the indoctrination techniques used by Plaintiffs more fully set out in the Common Allegations, above, including, but not limited to, causing Plaintiffs to be separated for many months without knowing where

the other was located. Such conduct was done with a wanton and reckless disregard of the consequences to Plaintiffs.

37. As the proximate result of the aforementioned acts, Plaintiffs suffered humiliation, mental anguish, and emotional and physical distress, and have been injured in mind and body in an amount according to proof at trial.

38. The aforementioned acts of Defendants were willful, wanton, despicable, malicious, and oppressive, and justify the awarding of exemplary and punitive damages in an amount not less than Ten Million Dollars ($10,000,000.00).

THIRD CAUSE OF ACTION
(Negligent Infliction of Emotional Distress)

39. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, and Paragraphs 29 through 33, inclusive, of the First Cause of Action, and Paragraphs 34 through 38, inclusive, of the Second Cause of Action as though set forth in full below.

40. From the period of 1973 until 1988, Defendants, and each of them, represented to Plaintiffs and others, that they were rendering services of a spiritual and physiological nature that would make Plaintiffs better persons. These representations included statements that Scientology technology would scientifically improve Plaintiffs' well being and make them psychologically better persons.

41. During the course of their affiliation with Plaintiffs, Defendants, and each of them, engaged in the conduct more fully described hereinabove in the Common Allegations.

42. As a proximate result of the negligence and carelessness of Defendants, and each of them, Plaintiffs suffered

serious mental anguish and emotional distress and have been injured all to Plaintiffs' damage in an amount to be determined according to proof at trial.

FOURTH CAUSE OF ACTION
(Loss of Consortium)

43. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Cause of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, and of Paragraphs 49 through 42, inclusive, of the Third Cause of Action, as though set forth in full below.

44. As a consequence of the conduct of Defendants, and each of them, set out more fully above in the Common Allegations, Plaintiffs were unwillfully separated from each other for long periods of time and were deprived of their right as husband and wife to remain together and in communication.

45. Prior to the conduct of Defendants, and each of them, more fully set out in the Common Allegations above, each of Plaintiffs was able to, and did perform his or her duties as a husband or wife. Subsequent to the conduct of Defendants, and as a proximate result thereof, Plaintiffs were unable to perform their necessary duties as spouses to each other, and each was unable to perform their work, services, and duties. By reason thereof, Plaintiffs were deprived of each other's consortium, all to Plaintiffs' damage in an amount according to proof at trial.

46. Defendants, and each of them, engaged in said conduct, with the specific intent to injure Plaintiffs, which constitutes oppression, malice, despicable conduct, and a conscious disregard for the Plaintiffs' rights and, therefore,

Plaintiffs are entitled to and hereby demand from Defendants, and each of them, punitive damages in an amount not less than Ten Million Dollars ($10,000,000.00).

FIFTH CAUSE OF ACTION
(Conspiracy)

47. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Cause of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, of the Third Cause of Action, and Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action as though set forth in full below.

48. During the course of Plaintiffs' affiliation with Defendants, Defendants, and each of them, knowing and willfully conspired, and agreed among themselves, to engage in the tortious activities and wrongful schemes set out in the Common Allegations, above.

49. Defendants, and each of them, did the acts and things herein alleged pursuant to, and in furtherance of, the conspiracy and above-alleged agreement.

50. Defendants, and each of them, furthered the conspiracy by cooperating with each other and/or lending aide and encouragement to, and/or ratifying and adopting the acts of each other in perpetrating the conspiracy herein alleged.

51. As a proximate result of the wrongful acts herein alleged, Plaintiffs have been generally damaged in an amount to be determined according to proof at trial.

52. Defendants, and each of them, did the things herein alleged maliciously and to oppress Plaintiff, and

constitute despicable conduct. Plaintiff is therefore entitled to exemplary or punitive damages in a sum of not less than Ten Million Dollars ($10,000,000.00).

SIXTH CAUSE OF ACTION
(Fraud)

53. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33 inclusive, of the First Cause of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, inclusive, of the Third Cause of Action, Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action, Paragraphs 47 through 52, inclusive, of the Fifth Cause of Action as though set forth in full below.

54. Defendants, and each of them, represented to the Plaintiffs and others, that they were rendering services of a spiritual and psychological nature that would make Plaintiffs better persons. These representations included statements that Scientology technology would scientifically improve Plaintiffs' well being and make them psychologically better people. These representations were false when made by Defendants, and each of them, and known to be false when made.

55. Defendants, and each of them, knew that the practices of the so-called Church of Scientology, its affiliates, and Defendants named herein, were not designed to increase the well being of any of its victims, but where made to coercively persuade each and every follower to dedicate their lives to Defendants in order for Defendants to increase their wealth derived from an overall scheme to make money founded on the exploitation of free labor. Pursuant thereto, Defendants, and

each of them, required Plaintiffs to participate in crimes against the United States Government, including the obstruction of justice and efforts to create corporate structures designed to keep payments from properly being paid to the Internal Revenue Service.

56. Pursuant to the fraudulent scheme described herein, Plaintiffs were, subjected to humiliation, degradation, physical labor, and imprisonment, all designed to break down their will and free thinking, and convert them into submissive, frightened and dedicated followers of Defendants.

57. In submitting to Defendants' programs, Plaintiffs reasonably relied upon the representations of Defendants, and each of them, and if they had known the truth, Plaintiffs would not have submitted. As a result of said fraudulent conduct, Defendants lost 15 years of their lives, suffered emotional distress and psychological injury, and were deprived of some 15 years of salary.

58. As a proximate result of the wrongful acts herein alleged, Plaintiffs have been damaged in an amount to be determined according to proof at trial.

59. Defendants, and each of them, engaged in said fraudulent activity with the specific intent to injure Plaintiffs, which constitutes oppression, despicable conduct, malice and a conscious disregard for Plaintiffs' rights and, therefore, Plaintiffs are entitled to and hereby demand from Defendants, and each of them, punitive damages in an amount not less than Ten Million Dollars ($10,000,000.00).

SEVENTH CAUSE OF ACTION
(Breach of Contract)

60. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Causes of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, inclusive, of the Third Cause of Action, and Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action, and Paragraphs 47 through 52, inclusive, of the Fifth Cause of Action, and Paragraphs 53 through 59, inclusive, of the Sixth Cause of Action as though set forth in full below.

61. Commencing in or about 1972, Plaintiffs entered into oral and written agreements with Plaintiffs wherein Defendants, and each of them, promised to provide spiritual and psychological services to Plaintiffs. In return, Plaintiffs would work and serve Defendants, and each of them.

62. Defendants, and each of them, breached the said agreements by not providing any spiritual or psychological services, but rather, providing indoctrination, psychological coercion, duress and stress, all designed to break Plaintiffs' will so that they would remain compliant servants to Defendants for the remainder of their lives, and to the use of Defendants in furtherance of illegal conduct and money making schemes. As the result of said breach of agreement as set out both herein and in the Common Allegations, above, Plaintiffs have lost the value of the reasonable services rendered to Defendants, and each of them, during their 15 year affiliation with Defendants. Further, Plaintiffs have lost 15 years of their lives that would have

otherwise been spent developing careers and financial security for themselves.

63. As a proximate result of the breach of the agreement described herein, and in the Common Allegations above, Plaintiffs have been damaged in an amount according to proof at trial.

EIGHTH CAUSE OF ACTION
(Restitution)

64. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Causes of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, inclusive, of the Third Cause of Action, and Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action, and Paragraphs 47 through 52, inclusive, of the Fifth Cause of Action, and Paragraphs 53 through 59, inclusive, of the Sixth Cause of Action, and Paragraphs 60 through 63, inclusive, of the Seventh Cause of Action as though set forth in full below.

65. Defendants, and each of them, publicly advocate that any person who takes Scientology courses and becomes dissatisfied with the same, is entitled to a refund of the financial compensation paid for the same.

66. This representation by Defendants, and each of them, is part of the agreement between Plaintiffs and Defendants for Scientology technology services Plaintiffs have received. Pursuant to said agreement, Plaintiffs have, and are hereby making, demand upon Defendants, and each of them, for the return of the financial compensation paid for such training and courses.

67. Defendants, and each of them, have placed a monetary value of the services rendered by Defendants, and each of them, at Fifty-Nine Thousand Forty Eight Dollars and Forty Cents ($59,048.40).

68. Plaintiffs, through their labor, have paid the full amount of said monetary value of services and therefore demand return of this sum from Defendants, and each of them, to Plaintiffs.

69. Furthermore, Plaintiffs demand the reasonable value of the services they have rendered to Defendants, and each of them, over the period of 1972 to 1988, more fully described in the common allegations, above, in an amount according to proof at trial.

NINTH CAUSE OF ACTION
(Invasion of Privacy)

70. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Causes of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, inclusive, of the Third Cause of Action, and Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action, and Paragraphs 47 through 52, inclusive, of the Fifth Cause of Action, and Paragraphs 53 through 59, inclusive, of the Sixth Cause of Action, and Paragraphs 60 through 63, inclusive, of the Seventh Cause of Action, and Paragraphs 64 through 69, inclusive of the Eighth Cause of Action as though set forth in full below.

71. Pursuant to the promises of Defendants, and all of them, regarding spiritual and psychological counseling,

Plaintiffs were forced to participate in "counseling sessions" in which they were forced to reveal that their inner-most private thoughts and feelings. Defendants, and each of them, represented to Plaintiffs that all such information received from the so-called "auditing" sessions employing the use of various psychological techniques, including, but not limited to, the use of the E-Meter described in the Common Allegations above, would be held in confidence and would never be disclosed or put to any use. Said information was of no legitimate public concern. Pursuant to these representations and promises, Plaintiffs participated in the "auditing sessions" and discussed and disclosed their inner-most private thoughts.

72. In April, 1987, and prior to April 9, 1987, Defendants, and each of them, read the private file of Plaintiff VICKI J. AZNARAN containing said private information from VICKI's auditing sessions.

73. Defendants, and each of them, demanded that VICKI then publicly disclose and give further details concerning further events they had learned from said file concerning various other victims of Defendants. VICKI was advised, warned and threatened that if she did not give further details, Defendants, and each of them, would "get it out of you one way or another."

74. As a result of this violation of privacy, VICKI has been humiliated, distraught, and suffered emotional distress, damaging her in an amount according to proof at trial.

75. Defendants, and each of them, engaged in said invasion of privacy with the specific intent to injure Plaintiff, which constitutes despicable conduct, oppression, malice and conscious disregard for Plaintiff's rights and, therefore,

Plaintiff is entitled to and hereby demands from Defendants, and each of them, punitive damages in and amount not less than Ten Million Dollars ($10,000,000.00).

TENTH CAUSE OF ACTION
(Breach of Statutory Duty to Pay Minimum Wages and Overtime)

76. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Causes of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, inclusive, of the Third Cause of Action, and Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action, and Paragraphs 47 through 52, inclusive, of the Fifth Cause of Action, and Paragraphs 53 through 59, inclusive, of the Sixth Cause of Action, and Paragraphs 60 through 63, inclusive, of the Seventh Cause of Action, Paragraphs 64 through 69, inclusive of the Eighth Cause of Action, and Paragraphs 70 through 75, inclusive of the Ninth Cause of Action as though set forth in full below..

77. During the period from in or about June, 1973, to in or about April, 1987, inclusive, Plaintiffs worked for Defendants, and each of them, for a total of 9,764 man hours, 5,648 of which represent regular working hours, and 4,116 hours of which represent overtime hours.

78. Plaintiffs are therefore entitled to an amount representing minimum wage for the regular hours worked as well as overtime pay for overtime hours, pursuant to California Labor Code §1194, in an amount according to proof at trial.

79. Plaintiffs are also entitled to reasonable attorneys' fees in an amount according to proof at trial, pursuant to §218.5 of the California Labor Code.

ELEVENTH CAUSE OF ACTION
(Constructive Fraud)

80. Plaintiffs repeat, reallege and incorporate herein by reference each of the allegations contained in Paragraphs 2 through 28, inclusive, of the Common Allegations, Paragraphs 29 through 33, inclusive, of the First Causes of Action, Paragraphs 34 through 38, inclusive, of the Second Cause of Action, Paragraphs 39 through 42, inclusive, of the Third Cause of Action, and Paragraphs 43 through 46, inclusive, of the Fourth Cause of Action, and Paragraphs 47 through 52, inclusive, of the Fifth Cause of Action, and Paragraphs 53 through 59, inclusive, of the Sixth Cause of Action, and Paragraphs 60 through 63, inclusive, of the Seventh Cause of Action, Paragraphs 64 through 69, inclusive of the Eighth Cause of Action, Paragraphs 70 through 75, inclusive of the Ninth Cause of Action, and Paragraphs 76 through 79, inclusive of the Tenth Cause of Action as though set forth in full below.

81. Defendants, and each of them, represented to the Plaintiffs and others, that they were rendering services of a spiritual and psychological nature that would make Plaintiffs better persons. These representations included statements that Scientology technology would scientifically improve Plaintiffs' well being and make them psychologically better people. These representations were false when made by Defendants, and each of them, and known to be false when made.

82. As a consequence of the false representations made by Defendants, and each of them to Plaintiffs, Plaintiffs and

Defendants developed a relationship of trust elevating Defendants to the role of fiduciaries of Plaintiffs.

83. In submitting to Defendants' programs, Plaintiffs relied upon the representations of Defendants, and each of them, and if they had known the truth, Plaintiffs would not have so submitted. As a result of said fraudulent conduct, Defendants continued to submit to demands of Plaintiffs to their detriment, from the period in or about 1973 until on or about January 1, 1988.

84. As a proximate result of the wrongful acts herein alleged, Plaintiffs have been damaged in an amount to be determined according to proof at trial.

85. Defendants, and each of them, engaged in said fraudulent activity with the specific intent to injure Plaintiffs, which constitutes oppression, malice and a conscious disregard for Plaintiffs' rights and, therefore, Plaintiffs are entitled to and hereby demand from Defendants, and each of them, punitive damages in an amount not less than Ten Million Dollars ($10,000,000.00).

WHEREFORE, Plaintiffs pray for judgment as follows:

As to the First Cause of Action:

1. For general and special damages according to proof at trial; and

2. For punitive damages from Defendants, and each of them, in an amount not less than Ten Million Dollars ($10,000,000.00);

As to the Second Cause of Action:

1. For general and special damages according to proof at trial; and

2. For punitive damages from Defendants, and each of them, in an amount not less than Ten Million Dollars ($10,000,000.00);

As to the Third Cause of Action:

1. For general and special damages according to proof at trial;

As to the Fourth Cause of Action:

1. For general and special damages according to proof at trial; and

2. For punitive damages from Defendants, and each of them, in an amount not less than Ten Million Dollars ($10,000,000.00);

As to the Fifth Cause of Action:

1. For general and special damages according to proof at trial; and

2. For punitive damages from Defendants, and each of them, in the amount of Ten Million Dollars ($10,000,000.00);

As to the Sixth Cause of Action:

1. For general and special damages according to proof at trial;

2. For punitive damages in an amount of not less than Ten Million Dollars ($10,000,000.00);

As to the Seventh Cause of Action:

1. For general and special damages according to proof at trial; and

As to the Eighth Cause of Action:

1. For general damages according to proof at trial; and

2. For special damages i the amount of $59,048.40.

As to the Ninth Cause of Action:

1. For general and special damages according to proof at trial; and

2. For punitive damages in an amount of not less than Ten Million Dollars ($10,000,000.00); and

As to the Tenth Cause of Action:

1. For general and special damages according to proof at trial; and

2. Reasonable attorneys' fees according to proof at trial.

As to the Eleventh Cause of Action:

1. For general and special damages according to proof at trial; and

2. For punitive damages in an amount of not less than Ten Million Dollars ($10,000,000.00).

As to all Causes of Action:

1. For cost of suit incurred herein;

2. For attorneys' fees incurred; and

3. For such other and further relief and the court may deem just and proper.

Dated: April 1, 1988

CUMMINS & WHITE

By:________________________
SHELLEY M. LIBERTO
Attorneys for Plaintiffs
VICKI J. AZNARAN and
RICHARD N. AZNARAN